

June 27, 2023

RAIZNEXT Corporation

## Basic Policy on Corporate Governance

### I. Basic views on corporate governance

RAIZNEXT Corporation (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) regard the promotion of compliance management to ensure compliance with laws and regulations and adherence to corporate ethics as well as securing the transparency and soundness of management to be the basis of all corporate activities. In an aim to achieve further transparency in its corporate activities, the Group will continue to make efforts to streamline and enhance systems and make sure that all officers and employees of the Group adhere to laws and regulations as well as corporate ethics with a resolute attitude. The Group has established the “RAIZNEXT Group Code of Conduct” (hereinafter referred to as the “Code of Conduct”) to serve as a standard for its officers and employees to act in compliance with laws and regulations, the Articles of Incorporation and internal rules. The Company is a company with an audit and supervisory committee, members of which supervise the Company’s operation.

### II. Basic policy on corporate governance

#### Chapter 1: Securing Shareholders’ Rights and Equal Treatment

With the aim of effectively securing all shareholders’ rights, the Company strives to strengthen its governance system and proactively disclose information so as to create an environment where shareholders can exercise their rights appropriately. Furthermore, the Company strives to strengthen its investor relations activities and website-based information disclosure to prevent minority shareholders and non-Japanese shareholders from being treated disadvantageously. For important matters, the Company strives to secure an appropriate environment and equality for shareholders exercising their rights by measures such as disclosing information promptly and posting an English translation of notices of general meetings of shareholders (access notice), etc. on its website.

#### 1. Securing shareholders’ rights

To secure all shareholders’ rights effectively, the Company strives to develop an environment where shareholders can exercise their voting and other rights smoothly, by measures including proactively disclosing information, promptly implementing the

electronic provision of materials for the general meeting of shareholders, promptly sending a notice of the general meeting of shareholders (access notice), etc., and setting an appropriate date for the general meeting of shareholders.

## 2. Exercise of rights at general meeting of shareholders

The general meeting of shareholders is the Company's highest decision-making body, which provides an opportunity to allow shareholders to reflect their opinions in management of the Company and to have constructive dialogues with the Company. In determining the date for the general meeting of shareholders, the Company tries to avoid dates when the shareholders' meetings of many other public companies are held to allow as many shareholders as possible to attend it.

Furthermore, to allow shareholders not attending the shareholders general meeting to exercise their voting rights, the Company provides an adequate environment where shareholders can exercise their voting rights, by giving shareholders options to vote by mail and to vote online.

## 3. Basic capital policy

The Company formulates a long-term vision and a medium-term business plan, which include earnings forecasts, investment plans, as well as dividend policy and other capital policies. The plan is posted on the Company's website (URL: [www.raiznext.co.jp](http://www.raiznext.co.jp)).

## 4. Cross-shareholdings

### (1) Policy on cross-shareholdings

For the purpose of maintaining and expanding relationships over the medium to long term, the shares to be held by the Company are selected from among those shares of companies which are expected to generate synergies in business, and determined based on the basic policy (i) that said shareholding will increase corporate value of the Company and contribute to the benefits of stakeholders, including shareholders and investors, and (ii) that cross-shareholdings regarded as having little necessity will be sold as soon as possible.

The decisions regarding cross-shareholdings, including purchase of additional shares and continuation of shareholding, are made by the Board of Directors in principle. Every year the Company reviews such shareholding based on the Cross-Shareholdings Management Rules formulated by the Board of Directors, which sets out (i) shareholding criteria for cross-shareholdings, (ii) the criteria for exercise of voting rights, and (iii) an evaluation flow for cross-shareholdings. The result of such review is reported to the Outside Officers

Advisory Committee (hereinafter referred to as the “Advisory Committee”), which gives to the Board of Directors, its feedback on the results of such review by the Company regarding the appropriateness of continued shareholding.

(2) Criteria for ensuring appropriate exercise of voting rights for shares held as part of cross-shareholdings

The exercise of voting rights of shares held as part of cross-shareholdings is decided after comprehensively taking into account whether or not it will lead to the sustainable growth and medium- to long-term enhancement of corporate value of the investee. The Company believes that this approach contributes to enhancement of corporate value of the Company and benefits of the stakeholders, including shareholders and investors, over the medium to long term.

In regard to the exercise of voting rights, the Company exercises its voting rights based on the Cross-Shareholdings Management Rules, and reports to the Advisory Committee the result of such exercise of voting rights.

5. So-called anti-takeover measures

Recognizing that the most important task that the Company should undertake to fulfill its responsibilities against shareholders is to continue sustainable growth and increase corporate value, the Company presently has no plan to adopt anti-takeover measures.

If the Company will adopt anti-takeover measures against a hostile takeover bid that would harm corporate value of the Company and shareholders’ rights, the Company will carefully examine the necessity and rationality of the measures, follow appropriate procedures, and provide sufficient explanation to shareholders.

6. Capital policy that could harm shareholders’ interest

If the Company will adopt a capital policy that may impact shareholders’ interest, the Board of Directors will consult the Advisory Committee. Based on a report from the same Committee, the Board of Directors will fully consider the necessity, objective, and methods of its implementation. The Company will then disclose relevant information promptly and strive to provide sufficient explanation to shareholders, on occasions including at the general meeting of shareholders and financial results briefings.

## 7. Related party transactions

In accordance with Companies Act and other laws and regulations, the regulations of the Board of the Directors of the Company prohibit the following conducts without prior approval of the Board: competitive business transactions by Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members), transactions (including indirect transactions) between the Company and Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members), and provision of guarantee of debts owed by Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members).

In regard to the terms and conditions of other transactions with major shareholders, etc. of the Company, the Company indicates its asking prices while taking into account market prices and other factors and determines the prices based on negotiation as in the case of other transactions in general.

Furthermore, when deciding to approve a conflict-of-interest transaction to be conducted by Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members), the Board of Directors must obtain prior approval from the Audit and Supervisory Committee.

## Chapter 2: Appropriate cooperation with stakeholders other than shareholders

The Company has formulated the Basic Policy on Sustainability, establishing the Sustainability Committee chaired by the President and stipulating that it is actively engaged in sustainability activities aimed at contributing to greater social sustainability and enhancing medium- to long-term corporate value. At the same time, it strives to appropriately cooperate with stakeholders by establishing the Code of Conduct stipulating that it shall communicate with shareholders and the society broadly and disclose information in a timely, appropriate, and fair manner.

The Company strives to raise its employees' awareness of socially responsible business activities through the establishment of the Code of Conduct, internal education, bulletins, and other means and fulfill its accountability to shareholders, customers, business partners, and other external stakeholders in a fair manner through its website and other means.

The Company has also established the Multi-Stakeholder Declaration setting forth its intention to strengthen its relationships with diverse stakeholders and engage in appropriate cooperation, and announced this declaration on its website.

1. Formulation of corporate philosophy that serves as the basis for enhancing medium- to long-term corporate value

The Company's corporate philosophy, long-term vision, and action guideline are as follows.

Corporate Philosophy: Support Industrial Infrastructures, Create a Prosperous Future.

- We support the secure and stable operation of plants, contributing to the future of people, life and the environment;
- We realize the optimization of plants and facilities through our maintenance and engineering; and
- We respect diversity and initiatives that seek happiness for our employees and partner companies.

Long-Term Vision: RAIZNEXT Group V-2032 "Toward advanced plant services in changing times"

- We will fulfill our social responsibilities as a company involved in the energy sector and contribute to the realization of a carbon-neutral society;
- We will constantly introduce and refine the latest technology to continue providing maximum customer value in maintenance and engineering together with our partners; and
- We will aim to be a company that enables employees to work with satisfaction, taking pride in playing a central role in maintaining the stable operation of plant that supports people's lives.

Action Guideline:

- Aggressively with Brave Spirits: We aggressively take on challenges with unconventional ideas.
- Sincerely and Devotedly: We sincerely work on every single business, meeting our customers' needs.
- Coexistence and Coprosperity: We respect all of the people concerned, and evolve together with stakeholders.

The above statements are posted on the Company's website.

(URL: <https://www.raiznext.co.jp>)

## 2. Formulation and implementation of the Code of Conduct

The Company has formulated the Code of Conduct, which is posted on its website (URL: <https://www.raiznext.co.jp>).

### RAIZNEXT Group Code of Conduct

The Code of Conduct sets forth guidelines that the officers and employees of RAIZNEXT Corporation and its subsidiaries should adhere to in conducting business activities based on the Group's "corporate philosophy."

Companies must not only pursue interests through business activities but also assume social responsibilities, responding to all stakeholders appropriately.

Our officers shall lead by example in practicing this Code of Conduct and thoroughly communicate and enforce it throughout the Group. In the event of an incident that breaches this Code of Conduct leading to a loss of trust of the society, they shall take the initiative to identify the cause, solve the problem, and seek to prevent recurrence.

We, officers and employees of the RAIZNEXT Group, shall apply the Code of Conduct below to our own behavior in day-to-day operations as the basis of our judgment.

#### 1. Compliance with laws, regulations, and internal rules

We shall comply with laws, regulations, and the Group's internal rules and conduct fair and highly transparent business activities.

#### 2. Earning customer trust

We shall provide safe, optimal, high-quality, and high value-added products and services, thereby seeking to achieve customer satisfaction and trust.

#### 3. Appropriate transactions with business partners

We shall build sound relationships of trust with business partners based on business ethics and conduct appropriate transactions with them.

#### 4. Evolving together with stakeholders

We shall disclose company information in a timely, appropriate, and fair manner and maintain smooth communications with stakeholders, seeking to evolve with them.

5. Response to anti-social forces

We shall take a resolute attitude against anti-social forces and shall not have any relations with them.

6. Respecting employees

We shall respect the diversity, personality, and individuality of employees and seek to develop a safe and comfortable workplace.

7. Efforts for environmental conservation

We shall make efforts to conserve the environment including by efficiently utilizing resources and reducing waste.

8. Information management

We shall adequately manage personal and customer information and seek to prevent information leakage. We shall not use information obtained through business activities for purposes other than business.

The Code of Conduct is posted on the Company's website:

<URL: <https://www.raiznext.co.jp>>

The Code of Conduct is also posted in every office of the Company in and outside Japan to increase awareness of it, and the Company seeks to raise awareness of it through employee education, internal bulletins, etc. In the case of breach of the Code of Conduct, the Company appropriately monitors and manages the implementation status of the guidelines, such as by planning and implementing corrective and recurrence prevention measures based on the Company's Compliance Rules, etc.

3. Sustainability issues, including social and environmental matters

The Company has the Basic Policy on Sustainability, the Basic Policy on Environmental Conservation, the Basic Policy on Health and Safety, and the Basic Policy on Quality in place to set forth its policies for addressing issues related to sustainability.

4. Ensuring diversity within the company, including active participation of women

Based on the basic principles of the Equal Employment Opportunity Law, the Company has a personnel system in place that requires the hiring of new graduates to be conducted without distinguishing women from men and sets out equal criteria for promotion of and wage increases for male and female employees.

Also, it seeks to provide a work environment that enables employees to work comfortably by preparing paternity/maternity and childcare leave systems for employees who are pregnant, giving birth and/or raising children.

Furthermore, the Company proactively recruits individuals with disabilities, securing workplaces suitable for their capabilities and aptitude.

Going forward, the Company will continue to promote active participation of female employees and secure diversity.

#### 5. Whistleblowing

With the aim of preventing or promptly identifying and correcting any breaches of laws and regulations and internal misconduct, the Company has the “Compliance Hotline Rules” in place. The Company responds appropriately by following appropriate procedures for every whistleblowing case based on the said Rules.

The Compliance Committee reviews the operation status of the Compliance Hotline system based on the “Compliance Committee Rules” and reports the result of the review to all Directors as part of internal control activities.

#### 6. Roles of Corporate Pension Fund as Asset Owner

The Company strives to enhance its knowledge, capabilities, and expertise about pension fund management, centering on the Personnel Department, which is in charge of corporate pension fund-related operations, and the Accounting Department, which is in charge of the company’s overall fund management.

The above-mentioned two departments and the Corporate Planning Department conduct the Company’s long-term corporate pension fund investment while appropriately diversifying and allocating assets. They formulate investment policies, select investment managers, and check investment approaches and performance, based on expert advice, etc. in a timely manner to secure stable future pension benefit resources. They periodically report details of the investment to the Management Officer Committee.



## Chapter 3: Ensuring appropriate information disclosure and transparency

The Code of Conduct stipulates that the Company shall communicate with shareholders and other stakeholders as well as the society in general and disclose information in a timely, appropriate, and fair manner. Its Board of Directors proactively discloses information about the Company's business strategy, financial condition, etc. to its stakeholders, including shareholders and investors, and seeks to obtain trust of and fair evaluations by these stakeholders.

The Company uses media including the Tokyo Stock Exchange's Timely Disclosure Network (TDnet) and press releases to disclose information that laws and regulations requires the Company to disclose. Furthermore, it endeavors to provide information useful for shareholders and other stakeholders, such as by publishing its long-term vision and medium-term business plan and disclosing non-financial information about management strategy, business issues, risks, and governance.

The Company basically posts the above-said information on its website (URL: <https://www.raiznext.co.jp>), thereby disclosing the information in a fair manner.

### 1. Full disclosure

#### (i) Company objectives (e.g. business principles), business strategies, and business plans

The Company's corporate principles, long-term vision, and action guideline are described above under Chapter 2, section 1.

The Company posts its business plan, medium-term business plan, on its website (URL: <https://www.raiznext.co.jp>).

#### (ii) Basic views and policy on corporate governance

The Company's basic views and policy on corporate governance are described under Chapter I.

#### (iii) Board of Directors' policy and procedure to determine the compensation for the senior management and Directors (including Directors serving as Audit and Supervisory Committee Members)

- 1) Basic policy
  - (1) Directors (excluding Directors serving as Audit and Supervisory Committee Members)
    - a) Compensation for Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) consists of monthly compensation, bonuses and stock compensation. The compensation system is structured to reflect their duties and performance.
    - b) Only monthly compensation is paid to Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members).
  - (2) Directors serving as Audit and Supervisory Committee Members  
Compensation for Directors serving as Audit and Supervisory Committee Members consists solely of monthly compensation.
- 2) Policy for determining the amount of individual monetary compensation, etc. (including policy for determining when or under what conditions compensation, etc. is paid)
  - (1) Directors (excluding Directors serving as Audit and Supervisory Committee Members)  
Monthly compensation is determined based on the positions of Directors.
  - (2) Directors serving as Audit and Supervisory Committee Members  
Compensation is determined upon consultations among Audit and Supervisory Committee Members based on their roles and duties as Audit and Supervisory Committee Members.
- 3) Policy for determining the details of performance-linked compensation, etc. and non-monetary compensation and the method of calculating the amount or number thereof (including policy for determining when or under what conditions compensation, etc. is paid)
  - (1) Bonuses for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) are based on an amount calculated in accordance with the degree of achievement of consolidated operating income targets (KPI) for each year. The Representative Directors prepare a draft proposal of compensation, comprehensively taking into account factors such as dividends, trends of other companies, medium- to long-term business performance, and historical payment amounts, and consult with the Outside Officers Advisory Committee on the appropriateness of the draft proposal of compensation. The Board of Directors makes

the final decision respecting the content of the Outside Officers Advisory Committee’s report and the amount is paid in cash at a specified time each year.

(2) For stock compensation, shares with restrictions on transfer are delivered to Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) promptly upon the commencement of the relevant period.

4) Policy for determining the percentage of monetary compensation, performance-linked compensation, etc., or non-monetary compensation, etc. included in individual compensation, etc. for Directors

(1) Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors)

For the ratio of compensation by type for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors), the weight of performance-linked compensation and stock compensation is increased for higher ranking positions, based on the benchmark compensation level of companies of a similar business scale operating in related industries and business categories.

When determining or revising the ratio of compensation by type for Directors (excluding those serving as Audit and Supervisory Committee Members and Outside Directors), the Board of Directors consults with the Outside Officers Advisory Committee on the appropriateness of the draft proposal of decision, and respects the content of the Outside Officers Advisory Committee’s report.

The approximate ratios for each type of compensation, etc. are as follows. (If KPI is 100% achieved)

Position	Monthly compensation	Bonuses	Stock compensation
Representative Director	51%	34%	15%
Director	64%	27%	9%

5) Matters concerning the determination of the details of individual compensation, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members)  
 Decisions on the amount of individual compensation are delegated to the President and Representative Director based on a resolution of the Board of Directors, and the President and Representative Director has the authority to determine the amount of monthly compensation, the amount of bonus, and the amount of stock compensation for each Director (excluding those serving as Audit and Supervisory Committee Members). To ensure that such authority is properly exercised, the President and Representative Director consults with and receives a report from the Outside Officers

Advisory Committee on the draft proposal, and the President and Representative Director makes decisions in accordance with the content of such report.

(iv) Board of Directors' policy and procedure to nominate candidates for Directors (including Directors serving as Audit and Supervisory Committee Members)

1) Policy

(1) Directors (excluding Directors serving as Audit and Supervisory Committee Members)

In nominating candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members), the Company selects candidates who have knowledge, experiences, capabilities, etc. necessary for helping achieve the Company's targets based on its corporate philosophy, long-term vision, and medium-term business plan.

(2) Directors serving as Audit and Supervisory Committee Members

In nominating candidates for Directors serving as Audit and Supervisory Committee Members, the Company selects candidates while comprehensively considering and taking into account the balance between such factors as their knowledge in the Company's business areas, knowledge in finance, accounting, and legal affairs, diversity of perspectives to and experiences in business management, and a high level of expertise in their respective field of specialization.

2) Procedure

(1) Directors (excluding Directors serving as Audit and Supervisory Committee Members)

With regard to the procedure for nominating candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members), Representative Director of the Company proposes candidates based on the above-described policy. Then the Advisory Committee evaluates the candidates and reports the result of its evaluation to the Board of the Directors. Final decisions on the nomination of candidates are made by the Board of Directors based on opinions it obtains from the Audit and Supervisory Committee.

(2) Directors serving as Audit and Supervisory Committee Members

With regard to the procedure for nominating candidates for Directors serving as Audit and Supervisory Committee Members, the Company's Board of Directors proposes

candidates after obtaining consent from the Audit and Supervisory Committee. Final decisions on the nomination of candidates are made by the Board of Directors.

(v) Policy (criteria) for the Board of Directors to judge that a particular Director is incompetent; and action that the Board of Directors should take following the incompetency judgment

1) Policy (criteria) for incompetency judgement

1. The Director was engaged in misconduct in performing his/her duties and/or material breach of laws, regulations and/or the Company's articles of incorporation;
2. The Director took actions offending public order and morals;
3. The Director neglected his/her duties significantly deteriorating the Company's corporate value;
4. The Director became incapable of continuing his/her duties for health reasons

Based on these criteria and other factors, the Board of Directors comprehensively considers and determines the necessity of dismissal while taking into account various elements.

2) Actions in the case of incompetency determined

If the Board of Directors deems it necessary to dismiss a particular Director due to his/her incompetency in accordance with 1) above, actions to be taken include dismissal from the position that the Board of Directors assigned to him/her; submission of a proposal to the General Meeting of Shareholders for dismissing him/her from the position of Director if such dismissal is deemed necessary; and rejection of his/her nomination as a candidate for Director upon the expiration of his/her term. Besides, the Board of Directors may prompt him/her to resign from his/her positions, including position of Director, prior to taking the above-described actions.

(vi) Explanation about individual appointments/nominations of candidates for Directors (including Directors serving as Audit and Supervisory Committee Members), which is to be given at the time of nomination

The names, backgrounds, and reasons for nomination of candidates for Directors are described in reference documents for the General Meeting of Shareholders.

## 2. External auditors

The Company's Board of Directors, as part of its responsibilities, prepares and adequately discloses financial statements in accordance with generally accepted accounting standards. The Company's external Accounting Auditors take appropriate measures vis-à-vis these financial statements from an independent perspective.

Accordingly, the Company endeavors to secure environment for audit, including audit date and provision of audit venue, so that the external Accounting Auditors can conduct audit properly. Furthermore, the Company's Audit and Supervisory Committee Members monitor and verify the appropriateness of audits by regularly and irregularly exchanging opinions with the external Accounting Auditors and being present at the site of the audits.

## Chapter 4: Responsibilities of the Board of Directors, etc.

### 1. Roles and responsibilities of the Board of Directors (1)

The Company formulates the corporate philosophy, long-term vision, medium-term business plan, and corporate operation policy and shows its corporate direction, including concrete targets and initiatives towards fulfilling these plans and policies. In formulating these plans and policies, Directors of the Company (including Directors serving as Audit and Supervisory Committee Members), Executive Officers, and division heads reiterate careful consideration and constructive discussions. Final decisions are made by the Board of Directors.

To implement and follow up those plans and policies, Executive Officers formulate, implement, and manage progress of divisional operation policies and priority targets, proactively propose targets, and supervise implementation in light of each fiscal year's corporate operation policy formulated based on the corporate philosophy, long-term vision, and medium-term business plan.

In regard to follow-ups, the progress is reported twice a year at Management Review Meetings. Furthermore, Directors in charge of the respective items of the corporate operation policy evaluate execution of operations from objective perspectives, based on which President makes a final evaluation.

## 2. Roles and responsibilities of the Board of Directors (2)

The Company clearly defines the roles of Directors (excluding Directors serving as Audit and Supervisory Committee Members) and of Executive Officers responsible for execution of operations. In executing operations, the Executive Officers formulate, implement, and manage progress of divisional operation policies and priority targets, proactively propose targets, and supervise implementation in light of each fiscal year's corporate operation policy formulated based on the corporate philosophy, long-term vision, and medium-term business plan approved by the Board of Directors.

In regard to compensation for members of the Company's management team (excluding Directors serving as Audit and Supervisory Committee Members), compensation for Directors (excluding Directors serving as Audit and Supervisory Committee Members) is based on the policy described in "(iii) Board of Directors' policy and procedure to determine the compensation for the senior management and Directors (including Directors serving as Audit and Supervisory Committee Members)" in "Chapter 3: Ensuring appropriate information disclosure and transparency," and compensation for Executive Officers consists of monthly compensation, bonuses and stock compensation, and is designed to reflect their duties and performance, thereby functioning as a sound incentive towards helping achieve sustainable business growth.

Their monthly compensation is determined based on their position in the management team. Their bonuses are determined based on each fiscal year's consolidated operating profit while comprehensively taking into account dividends, employees' bonus levels, the peer companies' trends, the Company's medium- and long-term performance, and bonuses paid in the past.

## 3. Roles and responsibilities of the Board of Directors (3)

Personnel matters concerning senior members of the management team are deliberated and decided on by the Board of Directors based on the results of evaluation of the Company's performance and other factors as well as reports from the Advisory Committee concerning the evaluation of individual candidates.

The Corporate Planning Department is responsible for the Company's investor relations. The Directors, etc. responsible for the Corporate Planning Department report financials and other important matters subject to timely disclosure to the Board of Directors and explain details and the timing of disclosure for deliberation.

Also, the Company has established the Internal Control Committee and others, which draft basic administration policies and systems relating to internal control, regularly confirm the development and operational status of these policies and systems, and report important matters to the Board of Directors.

Furthermore, the Company has formulated the Basic Policy on Enterprise Risk Management to clarify the basic approach to the development of a risk management system and established the Enterprise Risk Management Committee as an organization that discusses and examines company-wide risks that may have a significant impact on the formulation and execution of business strategy and the achievement of management targets, and reports the status of examination and evaluation of company-wide risks to the Management Officer Committee and the Board of Directors, thereby developing a system to ensure that appropriate risk management is implemented.

“Basic Policy on Enterprise Risk Management”

The RAINEXT Group will take an overhead view of company-wide risks that have a significant impact on the formulation and execution of business strategy and the achievement of management targets, and select and implement the best control activities with limited management resources, taking into account risk-taking and return in response to the threats and opportunities that may arise, thereby establishing a company-wide risk management system, working as one, that contributes to the sustainable development of the Group with an eye to the future.

In accordance with Companies Act and other laws and regulations, the Company’s regulations of the Board of Directors prohibit conflict-of-interest transactions with related parties unless they have been approved by the Board of Directors in advance.

4. Roles and responsibilities of Audit and Supervisory Committee and its members

The Company’s Audit and Supervisory Committee comprises four Directors, including three Outside Directors. These four Directors are, therefore, concurrently Audit and Supervisory Committee Members. Audit and Supervisory Committee meetings are held once in every three months or more frequently. The Committee sets audit policies, audit plans, etc. for each year towards execution of audits. When conducting audit, it communicates with Directors (excluding Directors serving as Audit and Supervisory Committee Members), the internal audit department, and other employees while collecting information and seeking to improve the environment for audits. As part of audit planning, the Committee sets its own priority items for audit and conducts on-site audit of



major business bases and subsidiaries. The Committee also monitors the implementation status of duties of Directors (excluding Directors serving as Audit and Supervisory Committee Members) by having all Directors serving as Audit and Supervisory Committee Members attend Board of Directors meetings and Directors serving as full-time Audit and Supervisory Committee Members attend Management Officer Committee and other important meetings. Furthermore, the Directors serving as Audit and Supervisory Committee Members proactively and frankly exchange opinions with the Company executives by expressing their opinions at Board of Directors meetings and holding regular information exchange meetings attended by Representative Director and all Directors serving as Audit and Supervisory Committee Members.

#### 5. Fiduciary responsibilities of Directors and corporate auditors

The Company has the Code of Conduct in place, which is communicated internally as standards for its officers and employees to act in compliance with laws, regulations, and internal rules. The Code of Conduct sets standards for actions towards fulfilling social responsibilities to shareholders, customers, partner companies, employees, and other stakeholders.

In accordance with the Code of Conduct, Directors (including Directors serving as Audit and Supervisory Committee Members) and members of the management team recognize their fiduciary responsibilities and seek to secure appropriate collaborations with stakeholders and act for the common interest of the Company and its shareholders.

#### 6. Execution and oversight of the management

Four Directors and one Outside Director serving as Audit and Supervisory Committee Members are not involved in business execution, which ensures an independent, objective, and effective oversight of the management at the Board of Directors.

#### 7. Roles and responsibilities of independent Outside Directors

- (i) The Company's Outside Directors provide appropriate advice towards solving the Company's business issues and conduct oversight of the management by drawing on their extensive experience and knowledge they have accumulated.
- (ii) Important decision-making by the Board of Directors, including the appointment and dismissal of senior members of the management team, is evaluated by the Advisory Committee. The results of the evaluation are reported to the Board of Directors, which contribute to securing transparency and objectivity of management.

- (iii) When approving a conflict-of-interest transaction being executed by a Director (excluding Directors serving as Audit and Supervisory Committee Members), the Board of Directors must obtain approval from the Audit and Supervisory Committee in advance.
- (iv) Outside Directors provide appropriate advice to the Board of Directors from objective and multifaceted perspectives.

#### 8. Effective use of Independent Outside Directors

The Company is a company with an audit and supervisory committee. Three of the four Directors serving as Audit and Supervisory Committee Members are independent Outside Directors. Out of all the ten Directors (including Directors serving as Audit and Supervisory Committee Members), four Directors are Outside Directors, which is one third or more of all Directors appointed. We believe that these current systems are sufficiently established, comprehensively taking into consideration the Company's industry, size and characteristics of its business, institutional design, and the environment surrounding the Company.

Outside Directors provide advice and proposals about the Company's business management from an independent standpoint drawing on their diverse perspectives, experiences, and high-levels of expertise about corporate management and monitor and supervise the Company's business from an external standpoint as members of the Board of Directors.

#### 9. Criteria for assessing independence of Outside Directors and their qualifications

The Company shall, in addition to the requirements under the Companies Act and the Criteria for Independence stipulated by Tokyo Stock Exchange, determine that an Outside Officer (including a candidate thereof) is independent when he or she falls into none of the following:

- (1) A person who was or had been an executing person (as defined in Article 2, Paragraph 3, Item 6 of Ordinance For Enforcement of the Companies Act; the same applies hereinafter) of the Company or its subsidiaries (collectively called "the Group"; the same applies hereinafter) for any period during 10 years before his/her office
- (2) A person who is a major shareholder (meaning a shareholder that holds, either directly or indirectly, 10% or more of the total voting rights of the Company; the same applies hereinafter) of the Group, or an executing person thereof
- (3) A person who is an executing person of a company of which the Group currently is a major shareholder
- (4) A person whose major business partner is the Group (a person who received 2% or more of his/her consolidated annual gross sales for the previous fiscal year from the Group), or an executing person thereof

- (5) A person who is a major business partner of the Group (a person who made payment to the Group of 2% or more of the Company's consolidated annual gross sales for the previous fiscal year), or an executing person thereof
- (6) A person who is a director (limited to persons executing operations) of an organization that receives donations or grants that exceed a specified amount (the higher of 10 million yen on average during the past three fiscal years or 30% of the average total annual expenses of said organization) from the Group, or other executing person thereof
- (7) A person who is an executing person of a financial institution or other major creditors that is imperative to the Group's funding and on whom the Group is dependent to the extent that it cannot be replaced
- (8) A person who is a certified public accountant (or tax accountant), or a senior partner, partner or an employee of an auditing firm (or a tax accountant firm), who serves as an accounting auditor or accounting advisor of the Group
- (9) A person who is an attorney at law, certified public accountant, tax accountant or other consultant that does not fall under item 8 above, and who receives the average of 10 million yen or more of cash or other financial benefits annually from the Group for the past three years besides compensation as Officer
- (10) A person who is a partner, partner, an associate or employee of a law firm, an auditing firm, a tax accountant firm, a consulting firm or other professional advisory firm whose major business partner is the Group (the firm that receives the average of 2% or more of its consolidated annual gross sales from the Group for the past three years) that does not fall under item 8 above
- (11) A person who fell under any of the items 2 to 10 above for any period during 3 years before his/her office
- (12) A person who is an executing person of a company that has a director/directors from the Group
- (13) A person who is a close family member (within the second degree of kinship) of a person (excluding a person who is not significant) that falls under any of the items 1 to 12 above
- (14) A person whose total term of office as an independent outside director exceeds 8 years

#### 10. Use of optional approach

The Company has set up an Advisory Committee, consisting solely of independent Outside Directors, an advisory body for the Board of Directors. The Board of Directors consults with and receive reports from the said Committee concerning nomination and dismissal of candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members), appointment and dismissal of Executive Officers, compensation for Directors (excluding Directors serving as Audit and Supervisory Committee Members) and Executive Officers, evaluation of cross- shareholdings, etc. to strengthen its governing functions.

#### 11. Preconditions for ensuring the effectiveness of the Board of Directors and the Audit and Supervisory Committee

The Board of Directors of the Company consists of internal directors who possess knowledge, experience, ability, global perspective, etc. necessary for conducting business operations and addressing management issues, and outside directors who are able to provide professional and constructive advice and supervision. The Audit and Supervisory Committee consists of full-time Audit and Supervisory Committee Members capable of collecting diverse information and Outside Directors who have adequate knowledge about their respective specialized areas. Thus, both the Board of Directors and the Audit and Supervisory Committee are well balanced. Also, the Company has elected two female Directors (an Outside Director) serving as Audit and Supervisory Committee Members.

In addition, each director conducts a self-assessment of the effectiveness of the Board of Directors by answering a survey based on the evaluation criteria for the effectiveness of the Board of Directors. The Board of Directors reports the result of such self-assessment to the Advisory Committee, and strives to improve the functions of the Board of Directors by receiving feedback from the Advisory Committee.

#### 12. Active Board deliberations

Outside Directors of the Company provide proactive and constructive opinions at Board of Directors meetings based on their highly professional knowledge and extensive experiences.

Internal Directors of the Company also exchange free, open, and constructive opinions. Thus, the Board of Directors as a whole seeks to conduct active deliberations.

#### 13. Information gathering and support structure

Directors of the Company (including Directors serving as Audit and Supervisory Committee Members) request relevant departments to provide them with information and materials necessary for performing their duties. The departments that have received such a

request provide them with appropriate information and materials requested. Furthermore, the Company's Legal Department, which serves as the secretariat of the Board of Directors, takes the lead in supporting Directors (excluding Directors serving as Audit and Supervisory Committee Members).

The Company has a system in place where personnel of relevant departments support Directors serving as Audit and Supervisory Committee Members as necessary for performance of their duties. Furthermore, if the Audit and Supervisory Committee requests the President and Representative Director to appoint an employee to assist in its duties, the Company appoints an employee who assists in duties of Directors serving as Audit and Supervisory Committee Members.

#### 14. Training for Directors and Executive Officers

With the aim of having newly appointed Directors (including Directors serving as Audit and Supervisory Committee Members) and Executive Officers deepen their understandings of their roles and responsibilities, the Company provides them with internal training upon their appointment and proactively encourages them to attend external seminars, etc. Also, the Company provides its Directors (including Directors serving as Audit and Supervisory Committee Members) and Executive Officers with adequate training to further improve their knowledge and skills. Furthermore, it encourages them to join external organizations and human networking occasions (exchanges with other industries), for which the Company pays the cost.

### Chapter 5: Dialogue with shareholders

The Company has established the Code of Conduct stipulating that it shall communicate with shareholders and other stakeholders as well as the society in general and disclose information in a timely, appropriate, and fair manner. It also recognizes the importance of engaging in continual day-to-day dialogue with shareholders, reflecting their opinions and requests in business management and having the Company grow together with them with the aim of achieving sustainable growth and increasing medium- and long-term corporate value of the Company.

To this end, the Corporate Planning Department is responsible for the Company's investor relations. Directors, etc. responsible for the Corporate Planning Department enhance investor relations system and secure opportunities of engaging in dialogue with shareholders and investors to obtain their understanding about the Company's business strategy and plans.

## 1. Policy for constructive dialogue with shareholders

For the purpose of promoting constructive dialogue with shareholders, the Company discloses information in a timely and appropriate manner related to business strategies and financial conditions to all stakeholders of the Company including shareholders and investors, and aims to earn the trust and regard of all stakeholders.

- (i) Dialogue with shareholders is overseen by Directors in charge of the Corporate Planning Department, and designates said Department as a department responsible for investor relations. The Company pursues measures to ensure constructive dialogue through various means such as organizing financial results briefings.
- (ii) With regard to a system of providing assistance to facilitate dialogue with shareholders, The Corporate Planning Department, the department responsible for investor relations, will play a leading role and cooperate with the General Administration Department, Accounting Department and other related departments, and hold meetings as necessary for sharing IR information and enhancing the content of disclosure materials.
- (iii) As a means of dialogue other than individual meetings, Representative Directors hold financial results briefings for analysts and investors twice a year after the announcement of financial results. Further, information sessions, etc. for individual investors are organized from time to time.
- (iv) The opinions and concerns that have been recognized through dialogues with shareholders are collected by Directors, etc. responsible for the Corporate Planning Department, and fed back to the Board of Directors and the related departments so that information is shared.
- (v) In order to prevent any insider trading in violation of the Financial Instruments and Exchange Act, the Company has established the “Rules for Management of Insider Information and Prevention of Insider Trading” to clarify the standards of management concerning internal information obtained by the officers and employees of the Company and the Group in the course of duties and management concerning trading of stocks, etc. The Company strives to control insider information in accordance with said rules when holding a dialogue with shareholders.

## 2. Establishing and disclosing business strategies and business plans

Under its medium-term business plan, the Company sets numerical targets that should be achieved during each medium term, after taking into account the cost of capital. Those targets are business performance indicators, including net sales, profits and profit margins and business indices, including return on equity (ROE) and consolidated dividend payout ratio.

The medium-term business plan is disclosed on the Company's website (URL: <https://www.raiznext.co.jp>). The Company also explains concrete initiatives towards achieving the targets at financial results briefings and other occasions. Furthermore, the Company plans to review the medium-term business plan as necessary based on business performance and future social and economic situations. If the Company makes any changes to the plan, it will explain the background and details of the changes at financial results briefings, general meetings of shareholders and other occasions.

Based on its Multi-Stakeholder Policy, the Company has established a personnel Training group in the Personnel Department, which provides education to acquire systematic knowledge and specialized skills, as well as a system to encourage personal development in order to effectively utilize management resources and enhance its corporate value. In addition, for the development of supervisors, the core of our business, we have established a technical training group in the Project Operation Department, which maintains and improves construction management skills by providing various technical training programs based on individual competence.

Furthermore, the Company provides training programs using its educational facilities to support the passing on of skills within its subcontractors. In addition, the Fabrication Technology Department is responsible for investment in research and development, and the Digital Strategy Department is responsible for investment in the digital field, playing a role in comprehensively enhancing the Company's construction technology capabilities.

Moreover, the Company is striving to retain employees and secure a diverse workforce by promoting telework and childcare leave for male employees to create a comfortable work environment. In order to share the new corporate philosophy and business strategy and to hear the diverse opinions of employees, meetings are held for the President and young employees to exchange opinions, and from the perspective of promoting women's active participation in the workplace, meetings are held for female employees and managers to exchange opinions. The Company has also conducted employee awareness surveys twice since the business integration, and based on the results of these surveys, it is striving to improve the working environment to make it more comfortable for employees to work, where they can better demonstrate their abilities.

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