

TAISEI

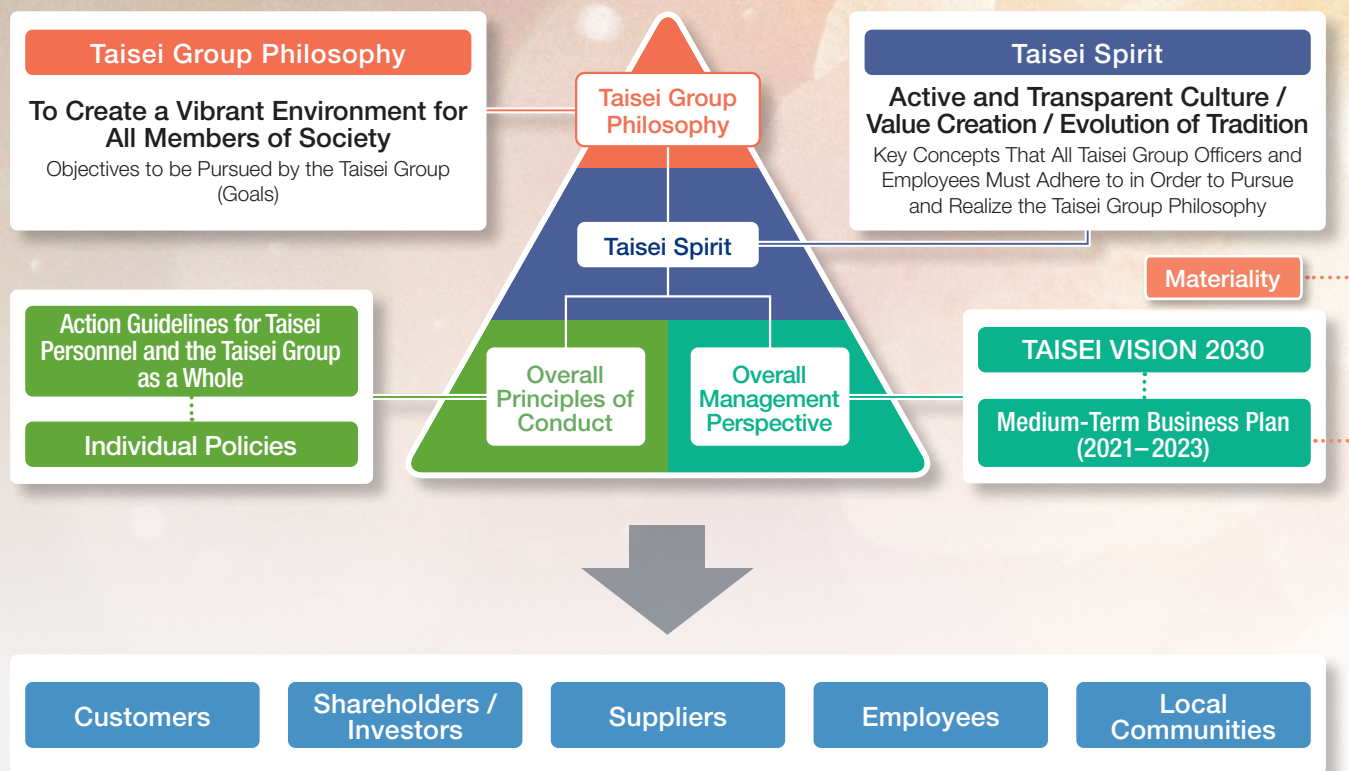
ANNUAL REPORT 2021



To Create a Vibrant Environment for All Members of Society

The Taisei Group creates “safe, secure, and attractive spaces” and “high value” in harmony with the nature, and strives to build a global society filled with dreams and hopes for the next generation.

Our Structure of Values and Policies



To pursue the Taisei Group Philosophy “To create a vibrant environment for all members of society,” all officers and employees share the “Taisei Spirit,” and carry out corporate actions based on the “Overall Principles of Conduct,” namely the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole and Individual Policies, and the “Overall Management Perspective,” namely TAISEI VISION 2030 and the Medium-Term Business Plan (2021–2023).

The Taisei Group aims to create new social value while contributing to the realization of a sustainable society, by using the wishes and expectations of our stakeholders to identify social issues in the course of these actions, and resolving those issues.

Group Slogan*

For a Lively World

* The Taisei Group Philosophy, the Taisei Spirit and the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole can be summed up in the following slogan.

Taisei Spirit

Active and Transparent Culture

We value diversity and, through open and active communication lines and networks both internal and external to the Taisei Group, seek to cultivate a transparent and active corporate culture in which all of our officers and employees are able to reach their full potential.

Value Creation

Not limited to our understanding of society at large, we carefully take into account the needs of our clients and using all of the technology and know-how at our disposal, together with our passion for innovation and ingenuity, seek to construct innovative and valuable engineering projects that inspire and impress our clients.

Evolution of Tradition

We aim to instill within the Taisei Group the Japanese tradition of *monozukuri* (precise, superb craftsmanship) and continually challenge ourselves to provide ever more valuable contributions to society and ensure our continued development and growth as a respected corporate group.

Action Guidelines for Taisei Personnel and the Taisei Group as a Whole

- 1 Cultivating an open corporate culture
- 2 Securing a pleasant working environment
- 3 Respect for fundamental human rights and diversity
- 4 Creating a vibrant environment for all members of society
- 5 Striving to create value
- 6 Pursuing customer satisfaction
- 7 Ensuring and improving safety and quality
- 8 Respect for traditions
- 9 Promoting partnerships with subcontractors and suppliers
- 10 Promoting environmental conservation and creation
- 11 Communication with local communities
- 12 Conduct in the international community
- 13 Appropriate disclosure of information
- 14 Fulfilling social responsibilities

Individual Policies

● Environment ● Social ● Governance

- Environmental Policy
- Environmental Targets
- Declaration of Taisei Corporation on Biodiversity Preservation
- Quality Policy
- Health and Safety Policy
- Procurement Policy
- Human Rights Policy
- Social Contribution Policy
- Risk Management Policy
- Policy on Business Continuity in Times of Disaster
- Fundamental Policy to Enhance Operational Compliance Systems
- Information Disclosure Policy
- Policy on Intellectual Property
- Policy on the Protection of Personal Information
- Code of Conduct on the Use of Social Media
- Fundamental Corporate Governance Policy
- IR Policy
- Tax Policy
- Declaration of Partnership Building

Important Issues to Be Addressed by the Taisei Group

ESG

Environment

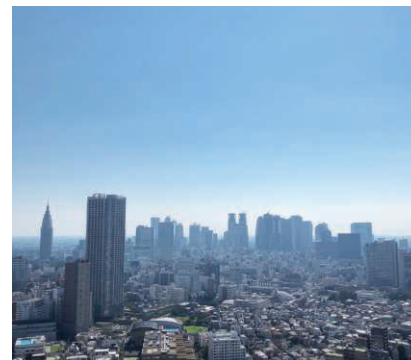
Social

Governance

Materiality

- 1 Realization of a sustainable and environmentally friendly society
- 2 Ensuring quality and improving technology
- 3 Technical development for realizing a sustainable society
- 4 Promotion of supply chain management
- 5 Thorough management of occupational health and safety
- 6 Cultivation of technical staff and securing human resources
- 7 Realization of an attractive working environment that is good to work in
- 8 Thorough compliance and restructuring of group governance system

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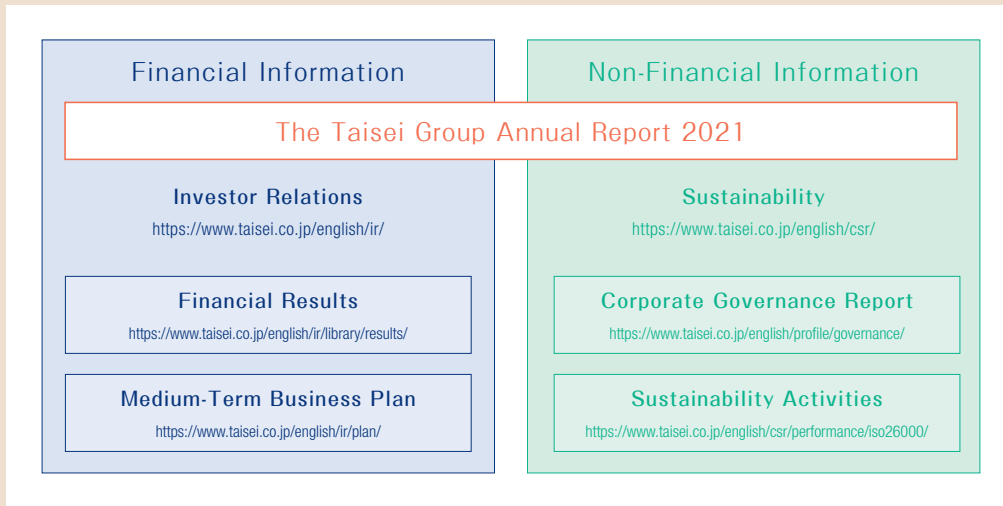
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Taisei Group Annual Report 2021

Editorial Policy

This report is intended to provide investors, shareholders, and other stakeholders with an easy-to-understand overview of the Taisei Group's value creation process as a whole, such as business models, competitive advantages, strategies, and foundations for realizing the Group Philosophy, and initiatives for sustainable enhancement of corporate value and resolution of social issues.

Further details about the initiatives related to Environment, Society, and Governance (ESG) and sustainability are available in the corporate social responsibility (CSR) section on Taisei Corporation's official website.

<https://www.taisei.co.jp/english/>

Scope of Coverage

This report covers the activities of Taisei Corporation and the Taisei Group companies (consolidated subsidiaries) as of March 31, 2021, unless otherwise noted.

Period of Coverage

The fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021). Some contents concern the data for the previous fiscal year or the most recent activities.

Date of Issue

November 2021

Note Regarding Forward-Looking Statements

This report has been produced in an environmentally friendly manner. It is printed on lightweight paper to reduce the use of timber resources and transportation energy, using vegetable oil-based ink.

Major External Evaluation (As of July 1, 2021)



Note: The inclusion of Taisei Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of Taisei Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Referenced Guidelines

Integrated Reporting Framework (The International Integrated Reporting Council [IIRC])

As disclosure guidelines for materiality that lead to the preparation of this report and the value creation process, we refer to this framework, which is a guideline for disclosure of non-financial information.

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (Ministry of Economy, Trade and Industry)

This guidance is widely used in Japan to improve the quality of dialogue with investors.

GRI Standards for Sustainability Reporting

We refer to this standard, which is a guideline for information disclosure regarding sustainability. The status of information disclosure can be found in the ESG data of this report and the Comparative Table with Global Reporting Initiative (GRI) Standards on our website.

ISO 26000


We refer to this International Organization for Standardization (ISO) guidance standard as a guideline for CSR activities. The status of our activities is reported on our website.

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

Environmental reports have been prepared with reference to these guidelines, and some of them are also included in this report.

Task Force on Climate-Related Financial Disclosures (TCFD)

In July 2020, we endorsed the TCFD Recommendations and disclosed information based on the recommendations in this report.

 **ISO 26000 / Comparative Table with GRI Standards**
<https://www.taisei.co.jp/english/csr/performance/iso26000/>

Third-Party Opinions and Third-Party Assurance on This Report

- Kanji Tanimoto, Doctor of Business Administration (DBA), Professor, School of Commerce, Waseda University
- "Independent Assurance Report" on the environment data and indices by Ernst & Young ShinNihon LLC

Our History
The Legacy of Kihachiro OKURA

Untiring Pioneer Spirit to Explore New Era and Expand Business

At the time of great upheaval, our founder Kihachiro OKURA chose a career as an entrepreneur with his foresight, and tirelessly continued exploring uncharted fields. His spirit has been passed on to this day in Taisei Corporation.



Establishing a Construction Company to Support Japan's Modernization

Foundations of the Business

The history of Taisei Corporation began when Kihachiro OKURA established Okura Gumi Shokai, which corresponds to a general trading company today, in 1873. In 1887, he joined hands with Eiichi SHIBUSAWA, who was his ally sharing the same vision and was called the father of capitalism in Japan, and Denzaburo FUJITA, a major figure of the Kansai business world, to create the first corporation in the construction industry in Japan: Nippon Doboku Co., Ltd. Later, this company recruited up-and-coming engineers from all over Japan and performed pioneering projects one after another, including the Tokaido Line and the lock and tunnel at Lake Biwa, making a significant contribution to the modernization of Meiji Japan.



Kihachiro OKURA, the founder of Taisei Corporation
(Photo courtesy of Okura Cultural Foundation)



1883
Rokumeikan, a building for entertaining foreign guests and diplomats, in its heyday during the Meiji era



1890
The lock and tunnel at Lake Biwa, which became a pioneer modernistic civil engineer work

Remarkable and Audacious Anecdotes of Kihachiro, an Outstanding Entrepreneur of the Time

1882-

Episode >> **A first in Japan: Sparkling Demonstration of Arc Lamps!**

Kihachiro was one of the promoters of the Tokyo Electric Light Company (later became TEPCO). He thought it was important to let people know what electrical light is; in 1882 he **installed arc lamps** as street lamps in Ginza, and conducted a major publicity campaign.

These arc lamps are the first electric lights that Japanese people saw on the street. Their brightness, which was said to be that of 2,000 candles, attracted much public attention. People hailed the lamps saying "the brightest is the sun, next comes the moon, and next come arc lights," and flocked to Ginza nightly to see them. The gathered people looking up at the lamp were captured in a Japanese-style woodblock print, and reported to every corner of Japan.

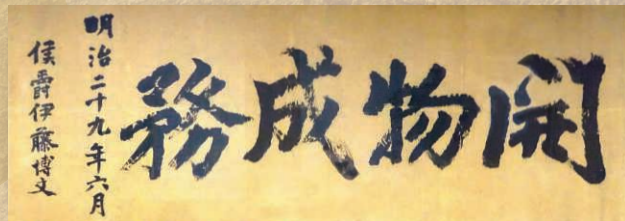


A Picture of the Construction of Electric Lamps in Tokyo's Ginza
(1883, Electric Power Historical Museum)

1896-

Episode >> **His Vigorous Effort in Taiwan Impressed Then Prime Minister Hirobumi Ito**

After the First Sino-Japanese War, the Government-General was established in Japan's new territory, Taiwan. It was decided to promote industrialization there, and this required the cooperation of Japanese companies. Despite the active involvement of the Japanese government, many companies were reluctant to cooperate. Kihachiro voluntarily went to Taiwan, however. Struggling with the climate and contagious diseases unique to the tropical island, he spearheaded projects such as installing telegraph wires and reconstructing the railroad between Taipei and Keelung. Hirobumi Ito, who was the prime minister at that time, visited the work site, and was deeply impressed by Kihachiro's effort. The prime minister gave him a calligraphic work of his own, written as "**Kaibutsu Seimu**."



* A quote from *I Ching (Book of Changes)*. It means to develop the new and achieve what people want

1927-

Episode >> **Everyone Inspired by His Emotional Encouragement! The First Underground Railroad in the Orient Built Solely by the Hands of Japanese**

The post-WWI recession and the Great Kanto Earthquake, among others, negatively impacted fundraising for the Tokyo Underground Railroad between Ueno and Asakusa (now the Tokyo Metro Ginza Line) and delayed the commencement of work. In this situation, it was Kihachiro who volunteered to take up the challenge. While a number of technical issues were anticipated, Kihachiro, who was then 89 years old, energetically encouraged the project members to complete the work without getting advice from foreigners. He covered construction costs in the form of payment by bill, and put all his energy into this work. As a result of the earnest efforts of inspired employees, the **first underground railroad in the Orient** was successfully completed in 1927.



1927

Tokyo Underground Railroad (Ueno-Asakusa)
Adopted the cut-and-cover method, which digs into the ground to make a tunnel and backfills it after completion



Taisei Spirit, Which Has Been Passed on through Today, and to Be Passed on to the Future

Each and every Taisei Corporation employee has poured their dreams and passions into every single project, and established trust and a track record.

This spirit has been passed on to the current era of Reiwa, through the four eras of Meiji, Taisho, Showa, and Heisei.



1964 Mt. Fuji Summit Radar Site

Work That Made the Impossible Possible

The radar site was built in 1964 at the highest altitude above sea level in Japan, under severe weather conditions. The site has actively worked as a major typhoon monitoring facility for 35 years.



2013 Bosphorus Strait Crossing Railway Tunnel (Republic of Turkey)

Connecting Europe and Asia with an Undersea Tunnel

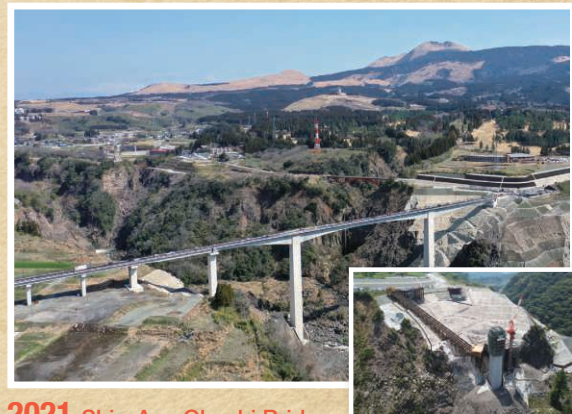
This is a big project that was said to have been the earnest wish of the Turkish people for 150 years. Orchestrating many of the world's first tunnel technologies, we completed the work in 2013.



2019 Japan National Stadium

A Very Japanese and World-Class Stadium

Blending in with the green environment of Meiji-jingu Gaien, looking at 100 years from now and to preserving the precious greenery of the area, Mori-no Stadium ("Stadium in Forest"), a stadium open to everyone, has been born in 2019. We constructed a robust and long-lasting stadium featuring high durability, long service life, easy maintenance, use of natural energy, and restricting areas of use according to the scale of events held there.



2021 Shin-Aso Ohashi Bridge (Kumamoto)

Shin-Aso Ohashi Bridge, a Symbol of Kumamoto's Reconstruction, Opened

This bridge has been constructed to replace the former Aso Ohashi bridge which fell down in the Kumamoto earthquakes in 2016. With thoroughly streamlined construction operations and various technologies and ingenuity, the bridge was put in service 16 months earlier than the standard construction period. The bridge is expected to improve the convenience of people's lives, and further revitalize tourism.

1946 & 1956

Episode>>

Change of Company Name and Listing of Shares

In 1946, Okura Gumi changed its name to Taisei Corporation and became a non-family firm, which is rare among Japanese construction companies. Taisei Corporation listed its shares on Tokyo Stock Exchange in 1956, for the first time as a company in the construction industry.

1967 & 1997

Episode>>

Received the First Imperial Invention Award in the Construction and Civil Engineering Field

In the construction and civil engineering field, Taisei Truss (Taisei Corporation's unique three-dimensional truss structure) and the spherical shield production process (a tunneling method) were awarded the Imperial Invention Award, which is given to the best invention of the year, in 1967 and in 1997, respectively.

2021-

And now...

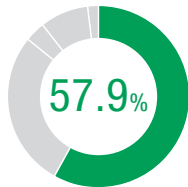
Aiming to Realize a Sustainable Society

Taisei Corporation will contribute to the realization of a sustainable future at all stages. It will do this by constructing buildings that support global green growth strategies and utilizing disaster prevention and mitigation technologies to protect society and people's lives from disasters.

The Taisei Group's Now / Present

Group Domestic Building Construction Business

Net sales composition Sales **¥857.3 billion**



Construction of offices, commercial facilities, factories, schools, hospitals, etc.



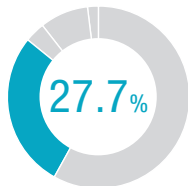
1 Construction Work of New Buildings in Redevelopment Area of Yotsuya Station District (Shinjuku-ku, Tokyo)
Owner: Urban Renaissance Agency



2 (Tentative Name) Otemachi 1-4-2 Project (Chiyoda-ku, Tokyo)
Owner: Otemachi 142 Tokutei Mokuteki Kaisha

Group Domestic Civil Engineering Business

Net sales composition Sales **¥410.7 billion**



Construction of tunnels, bridges, dams, railways, expressways, etc.



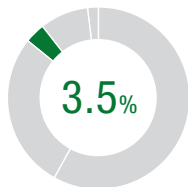
1 Fiscal Year 2017 Interim Storage (Futaba 2 Area) Soil Storage Facilities Work (Futaba-gun, Fukushima)
Owner: Ministry of the Environment



2 Port of Tokyo Bay Port Road Nanboku Line (Koto-ku, Tokyo)
Owner: Ministry of Land, Infrastructure, Transport and Tourism

Group Overseas Construction Business

Net sales composition Sales **¥52.3 billion**



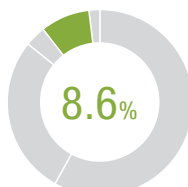
Construction in Taiwan, Vietnam, Singapore, and the Philippines



Package 'A' - Passenger Terminal Building and Associated Works on Bandaranaike International Airport Development Project Phase II Stage 2 (Democratic Socialist Republic of Sri Lanka)
Owner: Airport and Aviation Services (Sri Lanka) Ltd.

Group Real Estate Development Business

Net sales composition Sales **¥126.8 billion**



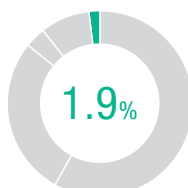
Redevelopment, public-private partnership/private finance initiative (PPP/PFI), property management, and condominium sales projects



Kosugi-machi 3-chome East District Redevelopment Project
Owner: Kosugi-machi 3-chome East street District Urban Redevelopment Union

Group Engineering Business

Net sales composition Sales **¥28.1 billion**



Engineering of production facilities and warehouses in the fields of pharmaceuticals, food products, and logistics



Pharmaceuticals:
Manufacturing facility for highly potent active pharmaceutical ingredients

Note: Net sales from other businesses (incidental businesses, etc.) other than the above were ¥5 billion (0.3% of total net sales).

11-Year Financial and Non-Financial Summary

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2011 through 2021

Financial Highlights (Consolidated)

Millions of Yen
(except for per share figures)

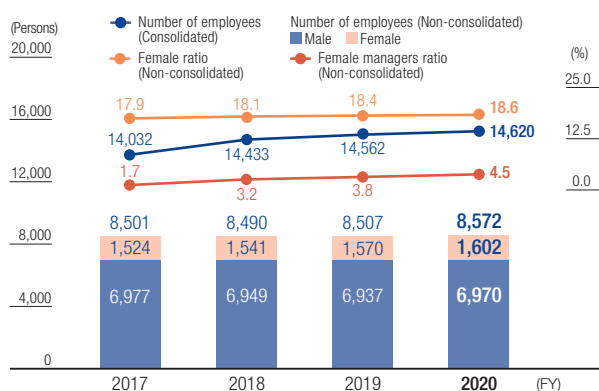
	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Revenue:					
Net sales:					
Construction contracts	¥ 1,079,139	¥ 1,171,927	¥ 1,254,291	¥ 1,321,289	¥ 1,404,530
Real estate development (and other)	138,980	151,577	162,205	212,184	168,740
Total	1,218,119	1,323,504	1,416,496	1,533,473	1,573,270
% change from previous year	(15.5)%	8.7%	7.0%	8.3%	2.6%
Costs and expenses:					
Cost of sales	1,100,022	1,206,014	1,304,677	1,402,446	1,425,295
Selling, general and administrative expenses	81,803	81,004	76,213	77,254	77,558
Total	1,181,825	1,287,018	1,380,890	1,479,700	1,502,853
Operating income	36,294	36,486	35,606	53,773	70,417
Income before income taxes	19,374	16,673	32,828	46,593	66,980
Income taxes	8,514	15,480	12,399	14,120	28,755
Net income attributable to owners of parent	¥ 10,883	¥ 1,181	¥ 20,051	¥ 32,089	¥ 38,177
Per share data of common stock (in yen and dollars):					
Net assets	¥ 253.94	¥ 255.60	¥ 299.84	¥ 335.42	¥ 418.61
Net income attributable to owners of parent	9.58	1.04	17.60	28.17	33.52
Cash dividends	5.00	5.00	5.00	6.00	8.00
Financial ratios:					
Net income attributable to owners of parent as a percentage of total revenue	0.9%	0.1%	1.4%	2.1%	2.4%
Total costs and expenses as a percentage of total revenue	97.0%	97.2%	97.5%	96.5%	95.5%
Dividends paid as a percentage of net income	52.2%	482.3%	28.4%	21.3%	23.9%
Financial position data:					
Current assets	¥ 847,467	¥ 982,931	¥ 1,012,639	¥ 1,076,213	¥ 1,136,497
Current liabilities	808,052	921,196	907,281	946,097	984,762
Total tangible fixed assets	232,000	212,639	206,076	181,051	169,973
Long-term liabilities	235,607	219,101	292,514	268,802	258,373
Shareholders' equity	290,282	284,714	299,336	327,067	370,140
Net assets	290,598	292,602	343,300	384,166	492,114
Other data:					
New orders received during the year	¥ 1,254,095	¥ 1,379,572	¥ 1,404,407	¥ 1,645,896	¥ 1,765,743
Contract backlog at the end of the year	1,607,390	1,663,459	1,651,370	1,763,793	1,956,266
Shares issued (thousands)	1,140,269	1,140,269	1,140,269	1,140,269	1,171,269

*1 U.S. dollar amounts were translated from yen, for convenience only, at the rate of U.S. \$ 1 = ¥ 110.71

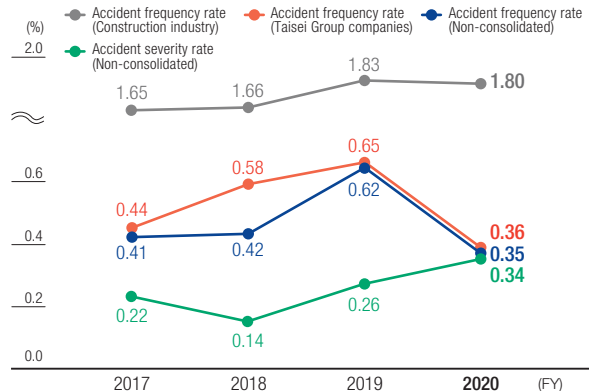
*2 The net assets per share and the net income per share are calculated assuming that the consolidation of shares took place at the beginning of the year, 2017, because the consolidation of shares, at the ratio of 1 share for 5 shares, was implemented on October 1, 2017.

Major Non-Financial Data

Number of Employees



Accident Frequency Rate / Accident Severity Rate



- Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
- Severity rate: The severity of illnesses and injuries represented by the number of workdays lost over one thousand cumulative working hours

Millions of Yen
(except for per share figures)Thousands of
U.S. Dollars*1
(except for per
share figures)

March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2021
¥ 1,394,677	¥ 1,342,455	¥ 1,445,277	¥ 1,511,724	¥ 1,612,498	¥ 1,326,663	\$ 11,983,226
151,212	144,798	140,221	139,154	138,833	153,479	1,386,316
1,545,889	1,487,253	1,585,498	1,650,878	1,751,331	1,480,142	13,369,542
(1.7)%	(3.8)%	6.6%	4.1%	6.1%	(15.5)%	
1,348,302	1,260,968	1,318,880	1,409,418	1,492,654	1,261,344	11,393,225
80,119	85,462	84,758	88,136	90,922	88,282	797,417
1,428,421	1,346,430	1,403,638	1,497,554	1,583,576	1,349,626	12,190,642
117,468	140,823	181,860	153,324	167,755	130,516	1,178,900
117,797	135,190	182,297	160,777	174,785	135,417	1,223,169
40,996	44,793	55,508	48,075	52,601	42,820	386,776
¥ 77,045	¥ 90,566	¥ 126,788	¥ 112,572	¥ 122,088	¥ 92,554	\$ 836,004
¥ 442.67	¥ 2,483.01	¥ 2,975.02*2	¥ 3,302.86	¥ 3,550.03	¥ 4,084.81	\$ 36.90
65.85	392.87	561.36*2	511.90	573.14	442.66	4.00
16.00	20.00	85.00*3	130.00	130.00	130.00	1.18
5.0%	6.1%	8.0%	6.8%	7.0%	6.3%	
92.4%	90.5%	88.5%	90.7%	90.4%	91.2%	
24.3%	25.5%	22.3%	25.4%	22.7%	29.4%	
¥ 1,112,305	¥ 1,223,572	¥ 1,327,487*4	¥ 1,200,437	¥ 1,299,023	¥ 1,241,013	\$ 11,209,584
927,777	986,994	1,022,626	924,791	957,438	841,147	7,597,751
177,529	175,983	188,397	219,745	204,400	206,199	1,862,515
211,767	202,271	218,952*4	198,995	178,642	185,055	1,671,529
437,533	485,396	563,913	610,565	673,730	718,593	6,490,769
521,278	570,814	669,020	722,390	753,916	844,420	7,627,315
¥ 1,671,061	¥ 1,655,036	¥ 1,743,498	¥ 1,693,859	¥ 1,680,052	¥ 1,650,627	\$ 14,909,466
2,081,438	2,249,221	2,407,221	2,450,202	2,378,923	2,549,408	23,027,802
1,171,269	1,146,753	224,541	224,541	224,541	224,541	

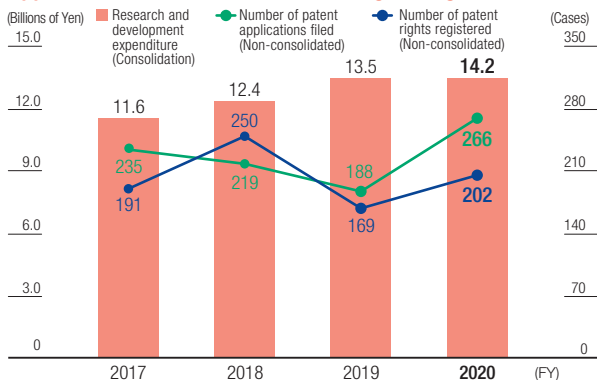
*3 Total annual dividends per share as of March 31, 2018 is ¥ 85.00, which is the sum of the interim dividend per share of ¥ 10.00 and the year-end dividend per share of ¥ 75.00.

Due to the consolidation of shares at the ratio of 1 share for 5 shares implemented on October 1, 2017, the year-end dividend per share of ¥ 75.00 reflects this consolidation, while the interim dividend per share of ¥ 10.00 does not.

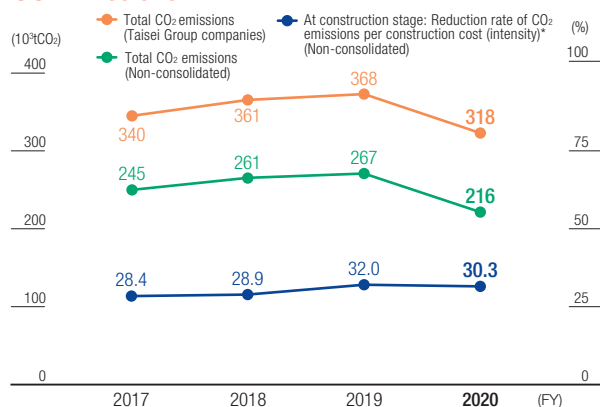
If the interim dividend per share is calculated based on the consolidation of shares, it would be ¥ 50.00, making the total annual dividends per share ¥ 125.00.

*4 Effective from the year ended March 31, 2019, the Group retrospectively applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The Group applied this change retrospectively and restarted the 11-Year Summary from the year ended March 31, 2018, accordingly.

Research and Development Expenditure / Number of Patent Applications filed, Number of Patent Rights Registered



CO₂ Emissions



* Compared to FY1990 (a base year for emissions target)

To Be a Pioneering Corporate Group Contributing to the Development of a Resilient Society



Yoshiro Aikawa

Yoshiro AIKAWA

President and Chief Executive Officer,
Representative Director

Since founded in 1873, the Taisei Group has worked on numerous projects while adapting to the changes of Japanese society, including modernization, postwar reconstruction, economic growth, and globalization. At the same time, our Group has been involved in the development of safe, secure and attractive cities and the improvement of social capital, and contributed to restoration and reconstruction from large-scale natural disasters and the building of the national resilience of Japan.

By so doing, we have fulfilled our social responsibility as a member of the construction industry. Building on this background, our Group recently established our 10-year plan: TAISEI VISION 2030. In order to be “a pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives,” and pursue the Group Philosophy “To create a vibrant environment for all members of society,” we will strive to build a global society filled with dreams and hopes.

Reviewing the Previous Medium-Term Business Plan (2018–2020)

In fiscal 2020, the Japanese economy continued to be in a tough situation overall. As the COVID-19 pandemic had a significant impact on the global economy, corporate earnings have been weak mainly in non-manufacturing sectors, and uncertainty over the employment and income situations has been protracted. In the construction industry, while public investment was steady, private capital investment declined due to poor corporate performance, and construction investment remained at a level lower than the previous year. The situation for the Taisei Group also continued to be difficult. In addition to the pandemic, the competitive environment became fiercer due mainly to a downturn after completion of the projects related to the Tokyo 2020 Olympic and Paralympic Games.

In this business environment, we achieved some of the targets set in the Medium-Term Business Plan (2018–2020), such as those for the dividend payout ratio and interest-bearing debt, but regrettably failed to achieve the targets for the final year in terms of sales and profits.

Summary of Previous Medium-Term Business Plan (2018–2020)

Medium-Term Business Plan (2018–2020) Numerical Management Targets				
(Billions of Yen)	FY2020 Medium-Term Business Plan target	FY2018 results	FY2019 results	FY2020 results
Net sales	¥1,870.0	¥1,650.9	¥1,751.3	¥1,480.1
Operating income	¥187.0	¥153.3	¥167.8	¥130.5
Net income attributable to owners of parent	¥130.0	¥112.6	¥122.1	¥92.6
ROE	12% or higher	16.2%	16.6%	11.6%
Dividend payout ratio	About 25%	25.4%	22.7%	29.4%*
Interest-bearing debt	Less than ¥300.0 billion	¥217.4 billion	¥208.1 billion	¥219.0 billion*
Net interest-bearing debt	(Maintaining permanent state of substantive debt-free management)	¥(250.3) billion	¥(274.5) billion	¥(275.3) billion*
Capital-to-asset ratio	40% or higher	39.0%	39.7%	44.9%*

* Achieved the targets under the Medium-Term Business Plan (2018–2020).

Medium- to Long-Term External Environment and Structural Changes

The Taisei Group has identified medium- to long-term external environment and structural changes that will occur in the coming ten years, such as the evolution of sustainability management based mainly on Sustainable Development Goals (SDGs) to be achieved by 2030 and business model transformation utilizing data and digital technologies, as three “X’s” (transformations). We think that these three X’s will force our Group to transform itself as they interact with one another.

IX Industry Transformation

The first is a structural problem of the construction industry; simply put, it is industry restructuring. As the construction market matures, competition is expected to remain harsh if the current number of construction companies does not decrease. Also, in terms of the industry structure, securing a labor force has become an urgent issue as Japan’s population ages and the birthrate declines.

Against this background, we think that a certain level of restructuring is necessary for the construction industry to develop as an attractive industry, fulfilling the missions demanded by society, such as the development and maintenance of infrastructure that is essential for social life and the provision of an abundant living environment.

In order to independently respond to this momentum of industry restructuring, our Group aims to expand its business scope through M&A with the objective of tapping into sectors with future growth potential, and of overcoming sectors and areas in which Taisei Corporation has weakness.

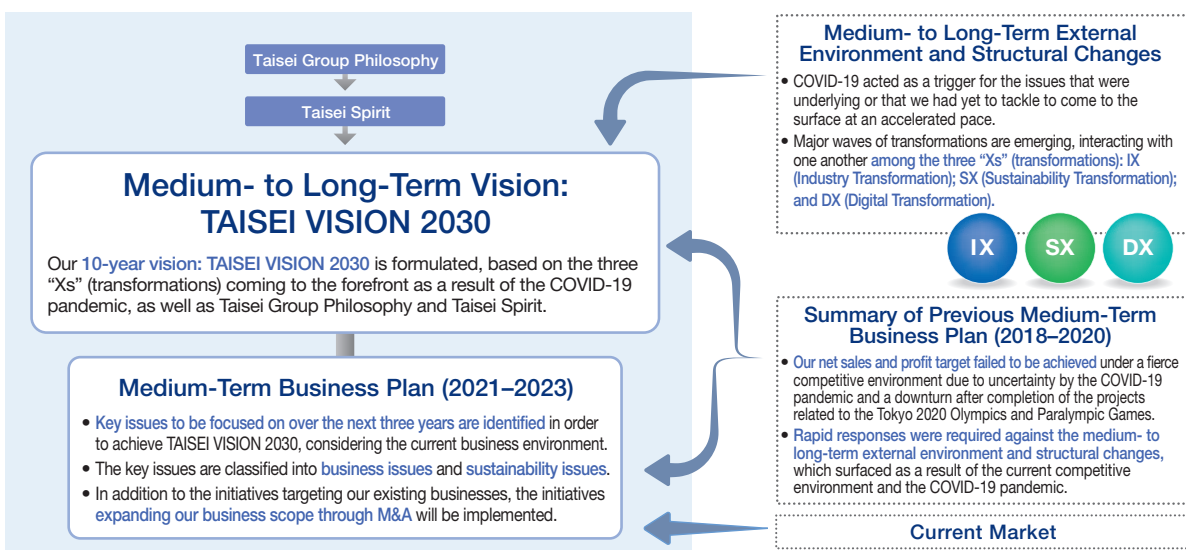
SX Sustainability Transformation

The second is response to the issue of sustainability, as represented by such themes as SDGs and ESG. The issues of carbon neutrality, climate change, and diversity and inclusion have attracted much attention globally in the past year. They are now commonly understood as issues not only for Japan, but also for the entire world. It has become a major challenge for our Group to resolve these issues in connection with, not separately from, our business, and carry the challenge to our sustainable growth and enhancement of our corporate value.

DX Digital Transformation

The third is response to digital transformation. In the construction industry, utilization of digital technologies and data is still in the process of development. If our Group can quickly adopt DX across the entire business and achieve a drastic improvement in productivity of on-site production process, swifter decision-making, and creation of new services, we will acquire a dominant competitive strength. Conversely, however, it is our recognition that the time will come soon when we cannot beat the competition without proceeding with DX.

Explanatory Chart of TAISEI VISION 2030 and Medium-Term Business Plan (2021–2023)



TAISEI VISION 2030

In order for our Group to pursue sustainable growth, it is important to determine how to respond to medium- to long-term external environment changes and structural changes. In addition, it is also crucial for all Group employees to strive to realize our vision, maintaining a high level of engagement, which means that the employees keep trust in our Group and have a willingness to voluntarily contribute to the realization of our vision. Furthermore, this pursuit of the vision is nothing other than the embodiment of our Group Philosophy “To create a vibrant environment for all members of society” and the Taisei Spirit, the mindset that all executives and employees uphold in pursuing the Group Philosophy.

Based on this idea, after a series of discussions in the Management Committee and the Board, our Group defined its medium- to long-term vision as “The Ever-Evolving CDE³ (cubed) Company: A pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives.”

“CDE³” refers to the business domains we are involved in. “C” stands for “Construction,” meaning our Group’s core building construction and civil engineering businesses. We will continue to explore these businesses even further. “D” and “E” stand for “Development” and “Engineering,” respectively, and they will be growth engines for our Group going forward. The above “CDE” and added “Energy” and “Environment,” both of which form the foundation constitute “CDE³ (cubed).”

In TAISEI VISION 2030, I give utmost importance to the “development of a resilient society.” This is a mission assigned to us in the construction industry, and I would like to tackle it ahead of others.

Medium-Term Business Plan (2021–2023)

In order to achieve TAISEI VISION 2030, our Group has identified the key issues to be focused on over the next three years, while considering the current business environment, in the Medium-Term Business Plan (2021–2023).

We classified and organized the key issues to be focused on over the next three years into business issues and sustainability issues, not by projecting the future as an extension of the present and the past, but by doing our best based on what we should be like in 10 years’ time. Going forward, we will develop the foundation of sustainability management before working on various businesses.

Regarding business issues, we established strategies for the key issues by Group segment.

First, in the Group Domestic Building Construction Business, we will aim to secure superiority in an increasingly competitive environment of the customer order, and work mainly on expanding the sector specialized in building renovation and enhancing productivity.

In the Group Domestic Civil Engineering Business, we will enhance the teams to win bids in early contractor involvement (ECI) projects where we can utilize our strengths as a group, and in the sectors such as wind power generation facilities and expressway renewal where growth is expected.

As for the Group Overseas Construction Business, we will build the systems to ensure our profits by promoting both localization and operations at overseas offices, and collaborating with alliance partners.

In the Group Real Estate Development Business, we will strive to maximize Group synergies by optimizing our portfolio and establishing a stable income foundation.

In the Group Engineering Business, where our Group has a competitive strength, we will further enhance the pharmaceuticals and other sectors in which we have an advantage, while expanding to new sectors such as the fine chemicals sector for semiconductors and electronic devices, and developing new sales channels in the business of transporting and delivering pharmaceuticals.

Regarding sustainability issues, in the Energy and Environment area, we will accelerate our initiatives toward carbon neutrality in order to acquire front-runner status in the environmental sector.

Following the carbon neutrality declaration of the Japanese government, our Group revised its Environmental Targets, and set the target of “virtually zero” CO₂ emissions from business activities by 2050. This falls in Scope 1 and 2 emissions of supply chain emissions. To achieve this target, we will aim to own 100 MW of renewable energy sources by fiscal 2030 to cover our Group’s electricity consumption.

As for Scope 3 emissions, we will promote green procurement in the upper stream areas, such as the development and use of carbon-recycle concrete. Also in the lower stream, we will reduce CO₂ emissions from usage of buildings after delivery through such measures as developing and commercializing next-generation, high-performance zero-energy buildings (ZEBs).

In the safety area, our key issue is “to achieve zero fatal accidents and zero serious accidents,” and in addition to the measures implemented so far, we will promote the utilization of digital technologies in this area too.

In the technical development area, our Group will use its technological capability to contribute to the industrial fields specified in the Green Growth Strategy of the Japanese government that are expected to grow through a virtuous cycle of the economy and the environment.

In the DX area, we will build an integrated platform to collect and visualize internal data by fiscal 2023, and develop a foundation to establish a highly efficient production process utilizing data.

In the workstyle reform area, we will promote further diversity and inclusion and establish a comfortable working environment to enable employees to leverage their diverse range of skills to the maximum possible extent. At the same time, in the governance area, we will work to maximize Group synergies by enhancing effectiveness of the Group governance systems.

In addition, the Taisei Group revised its materiality (important tasks that must be addressed) in reference to international codes of conduct and standards such as the United Nations Global Compact and ISO 26000. We have clarified the whole picture of our Group’s sustainability management: we identify key measures and other specific measures of the Medium-Term Business Plan based on the materiality, and they lead to the realization of the SDGs and our Group’s environmental targets, Taisei Green Target 2050.

In starting the Medium-Term Business Plan, I think it is crucial that all executives and employees of our Group understand the details of TAISEI VISION 2030 and the Medium-Term Business Plan (2021–2023), share a high motivation and sense of mission for achievement, and exert their ability to the fullest. As President, I myself exercise leadership to resolve the issues and achieve the targets of the Medium-Term Business Plan (2021–2023) in the next three years, and beyond that, strive to realize TAISEI VISION 2030.

Numerical management targets in the last fiscal year (FY2023) of the Medium-Term Business Plan (2021–2023) (Consolidated)

(Billions of Yen)	(a) FY2020 results	(b) Numerical management targets in the last fiscal year (FY2023) of the Medium-Term Business Plan	Difference (b)-(a)	FY2030 targets in TAISEI VISION 2030 (Reference)
Orders received	1,650.6	1,950.0	299.4	—
Net sales	1,480.1	2,000.0	519.9	2,500.0
Operating income	130.5	140.0	95	—
Net income attributable to owners of parent	92.6	100.0	74	150.0
ROE	11.6%	About 10%	—	About 10%
Dividend payout ratio	29.4%	About 25%	—	—
Net interest-bearing debt	Substantive debt-free (275.3)	Maintaining state of substantive debt-free management	—	—



Towards a New Era

In my view, the aim of the Company is to contribute to society by continuously providing customers with abundant value, satisfaction and excitement, and by enhancing the happiness of stakeholders. Sincerely accepting the wishes of all our stakeholders including customers, shareholders/investors, suppliers, employees, and local communities, and responding to them with better-than-expected results—I think this will not only enhance our competitive advantage, but also contribute to the realization of a sustainable, resilient society. To realize that, I think it is essential to promote invigoration and diversity of employees while carefully nurturing our “Active and Transparent Culture,” persistently advance “Evolution of Tradition” by integrating traditional technology (maintenance) and future technology (innovation), and contribute to society with unique “Value Creation” for our customers. In short, it is essential for all of our employees to share the Taisei Spirit of “Active and Transparent Culture,” “Evolution of Tradition” and “Value Creation,” and our reason of existence is to put them into practice in daily business operations.

Uncertainty over the future domestic construction market, shortage of human resources, and sustainability issues including climate change—various issues and risks are ahead of us, and as they pile up, the roles and responsibilities that companies are expected to assume are changing.

Kihachiro OKURA, the founder of Taisei Corporation, squarely faced many challenges in turbulent days, and continued tackling uncharted fields. Inheriting his pioneering spirit, we at the Taisei Group will continue our process to independently transform existing business models along with the times, solidify the foundation for sustainable growth, come up with innovations leading to the resolution of social issues, and create new value. Through this process of new value creation, we will keep working for the new era.

We would appreciate our stakeholders’ high expectation towards further growth of our Group as well as your continuous and invaluable cooperation and support..

TAISEI VISION 2030 and Medium-Term Business Plan

The Taisei Group analyzed the reasons for the failure to achieve the goals of the previous Medium-Term Business Plan, and identified the medium- to long-term external environment and structural changes. Based on this analysis, we formulated TAISEI VISION 2030, our medium- to long-term vision in line with the Taisei Group Philosophy and other factors. As for the newly launched Medium-Term Management Plan (2021–2023), we have positioned it as “Focus on efforts to realize TAISEI VISION 2030.”

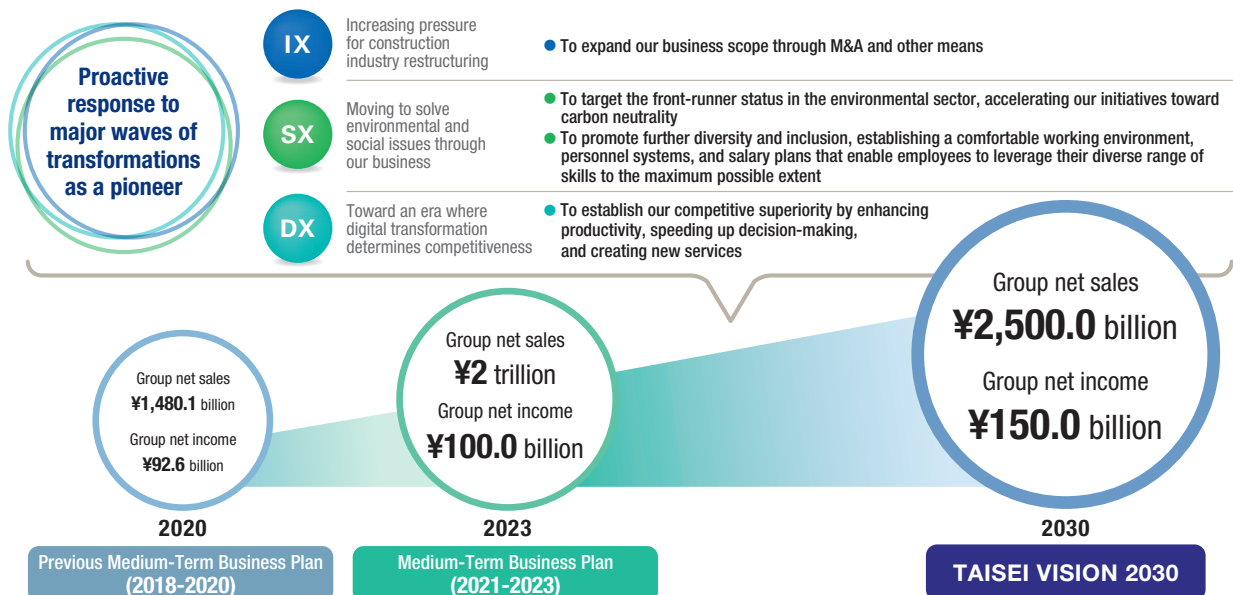
TAISEI VISION 2030 and Medium-Term Business Plan (2021–2023)

The Ever-Evolving **CDE³(cubed)** Company

Construction, Development, Engineering, Energy, Environment

A pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives

Basic stance	Achieving safety and security		Optimal utilization of “Human Capital,” “Technology” and “Intelligence”	
Rough indicators of numerical performance	Group net sales		Group net income	
	About ¥2.5 trillion		About ¥150.0 billion	
Returns to stakeholders	Customers, suppliers, and society		Returns through CDE ³	
	Shareholders		Dividend payout ratio 25-30%	
	Employees		To promote further diversity and inclusion, establishing a comfortable working environment, personnel systems, and salary plans that enable employees to leverage their diverse range of skills to the maximum possible extent	



Medium-Term Business Plan (2021-2023) | Key Issues

- **Key issues to be focused on over the next three years are identified** in order to achieve TAISEI VISION 2030, considering the current business environment.
- The key issues are classified into **business issues** and **sustainability issues**.
- In addition to the initiatives targeting our existing business, the initiatives **expanding our business scope through M&A** will be implemented.



Medium-Term Business Plan (2021-2023) | Numerical Targets and Investment Plans

- **Numerical targets for FY2023** * The following numerical targets and indicators do not include assumptions of any future M&A.

ROE About 10% Group net sales ¥2 trillion	Dividend payout ratio About 25% Group operating income ¥140.0 billion	Net interest-bearing Maintaining state of substantive debt-free management Group net income ¥100.0 billion
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● Investment plans

Investment amount Three years ¥250.0 billion *1	Environment-related investment Three years ¥60.0 billion *3	M&A investment
<ol style="list-style-type: none"> Investment in technical development*2 ¥60.0 billion Investment in information*2 ¥60.0 billion <ul style="list-style-type: none"> (1) Digital transformation (DX) ¥30.0 billion (2) Existing systems ¥30.0 billion Capital and personnel-related investment ¥15.0 billion Business-related investment ¥125.0 billion 	<ul style="list-style-type: none"> ● Of the environment-related investment amount, items included in investment in technical development and business-related investment <p>Investment in technical development Technical development that contributing to industrial sectors expected to grow, through a virtuous cycle for the economy and environment ¥42.0 billion</p> <p>Business-related investment Investment in renewable energy businesses ¥18.0 billion</p>	<ul style="list-style-type: none"> ● M&A investment, etc. for expanding our business scope to be allocated separately

*1 Not including M&A investment

*2 The Items 1 and 2 above include some overlapped amount.

*3 Included in investment amount

Group Business Strategy

Building Construction

Senior Managing Executive Officer,
Members of the Board;
Chief of Architecture & Engineering
Division (Integrated);
Chief of Building Construction Division
Yoshihiro TERAMOTO



Group Domestic Building Construction Business

Key Issue To establish our superiority in a fierce competitive environment

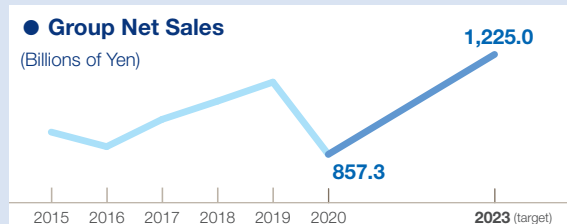
● Market Scenario

General Building Work: The impact of COVID-19 is expected to continue until fiscal 2021, but we expect a gradual recovery as COVID-19 is brought under control. However, **the competitive environment is expected to remain difficult** as the future outlook remains unclear.

Building Renovation Work: There is a significant potential demand for building renovation work, and **we expect this market to exceed average yearly performance from the second half of fiscal 2021.**

● Group Net Sales

(Billions of Yen)



● Key Measures

To enhance the systems to improve the Group's competitiveness in securing orders for new construction

- To develop the systems for Value Engineering (VE) proposals and construction proposals by adding more staff to specialist teams and utilizing digital technologies and data
- To deepen relationships with customers by such measures as returning to our origins in prioritizing outward-facing activities, and set our sales policies and targets more promptly

To expand the sector specialized in building renovation through organizational restructuring

- To establish the teams specialized in building renovation at Head Office and branches, and unify the organizations for promoting building renovation

To enhance the productivity by utilizing digital technology, and consolidating operations, etc.

- Nationwide rollout of consolidated worksite operations utilizing specialist teams

To expand the business scope through utilization of M&A, etc.

- To achieve success in the telecommunications sector, where growth is expected, as well as the sectors and areas where the Group lags behind

Group Overseas Construction Business

Key Issue To build the systems to ensure our profits for establishing the stable business foundations

● Market Scenario | Building

Taiwan: The impact of COVID-19 is limited, and the construction market remains strong.

Vietnam: While the investment to factories by Japanese companies is limited, there is a vibrant real estate development market, and it is trending toward a moderate recovery.

● Key Measures | Common (Building and Civil engineering)

To shift from the systems focusing on large-scale projects to the systems striving to ensure an optimal mix of different project sizes, by promoting both localization and operations at overseas offices, and collaborating with alliance partners

● Key Measures | Building

To build local networks by placing more and younger local sales staff

To focus on allocating human resources to the airport sector, where the Group is internationally competitive

Civil Engineering

Executive Vice President,
Representative Directors;
Chief of Civil Engineering Division;
In charge of Safety

Shigeyoshi TANAKA



Group Domestic Civil Engineering Business

Key Issue To develop the systems to establish solid business foundations

● Market Scenario

Private Sector: The market is expected to shrink as a result of COVID-19 and **recovery will take time**. Growth is expected in the renewable energy sector, but it will be after fiscal 2024 that there is an affirmative effect on our business.

Public Sector: Affirmative **impact on the Group is limited** by public investments, such as the measures for prevention and mitigation of disasters, and the measures aimed at building the national resilience of Japan.

It is expected that the weight of expressways and other **renewal construction will increase**.



● Key Measures

To develop the systems to enhance the Group’s competitiveness in receiving orders

- To identify more ECI* projects, etc. where we can utilize our strengths as a group, and develop the organization to win bids thereof
- To develop company-wide backup systems to win discretionary contracts and design changes

* ECI: Early Contractor Involvement; A method where the contractor participates from the design stage

To enhance the teams to win bids in the sectors where growth is expected, etc.

- To enhance the teams and personnel to win bids of the projects related to dams, wind power generation facilities, and expressway renewal

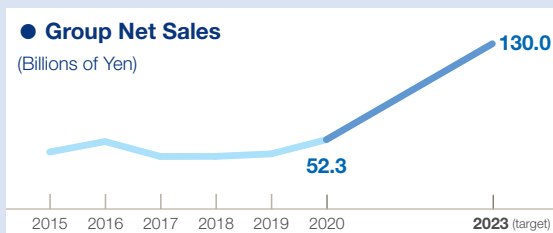
To expand the scope of our business through M&A and other means

- To expand the sectors where we have a competitive advantage, as well as to achieve success in the sectors where we lag behind

● Market Scenario | Civil engineering

Singapore: Recovery is expected from FY2021 onward, centered on public investment.

The Philippines: Demand related to Official Development Assistance (ODA) projects is relatively strong.



● Key Measures | Civil engineering

To cut the costs by utilizing the resources of alliance partners and our supply chain

● Key Measures | New business

To allocate human resources to the creation of business models besides the construction business, based on the business forms of global contractors in Europe and America

Real Estate Development

Executive Officer,
Chief of Urban Development
Division

Takashi YAMAZAKI



Group Real Estate Development Business

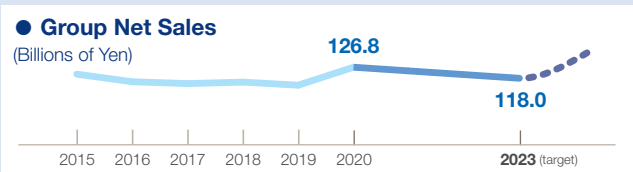
Key Issue To build the stable income foundations in the Group development business by optimizing the portfolio of our real estate and pursuing investment efficiency

● Market Scenario

While there are few concerns surrounding financing and there are no signs of major fluctuations in the real estate market, **cautious judgments will continue to be required as the market outlook is very unclear.**

● Key Measures

- Real estate:** To build the optimal portfolio based on real estate market conditions, and develop the systems to ensure stable profits from development
 - To acquire premium real estate through project control from the upstream stages of urban redevelopment projects and major development projects
 - To optimize our real estate portfolio based on a balance of area, application, asset efficiency, and stable revenues
 - To enhance the brand recognition and brand strength of “OBER” condominiums and “TERRACE” rental condominiums
- Facility management:** To secure the properties for facility management with planning and proposals tailored to customers’ needs
 - To establish an integrated customer support system that covers everything from building construction to facility management
- PPP, etc.:** To participate in the PPP business, etc. in order to diversify sources of revenue
 - To establish the operational systems for airport concession projects, and tackle new infrastructure operation business



Engineering

Managing Executive Officer
Chief of Engineering Division

Shinichirou TAKAHAMA



Group Engineering Business

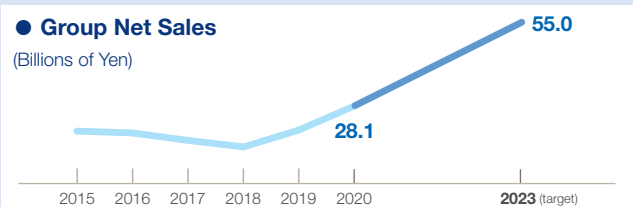
Key Issue To leverage our strengths to expand the scope of our business

● Market Scenario

There is **generally strong capital investment demand** in our target sectors of pharmaceuticals, food products, logistics, and energy.

● Key Measures

- To strengthen the existing sectors**
 - **Pharmaceuticals sector:** To utilize our strengths in terms of technology and expertise to enter the next-generation medical sector, including biopharmaceuticals and regenerative medicine
 - **Food products sector:** To enhance upstream consulting functions, and utilize technical expertise related to automation and labor-saving technology developed in the pharmaceutical sector
- To take on new growth sectors**
 - **Fine chemicals sector:** To utilize the technology from the pharmaceuticals sector to enter markets in areas such as semiconductor and electronic device materials manufacturing facilities
 - **Logistics sector:** To secure competitive superiority in the logistics facility sector, and expand sales channels in the pharmaceuticals transportation and delivery business, by making use of our expertise related to proposals based on feasibility studies (FS) and the Guidelines on Good Distribution Practice (GDP)
- To develop the systems for expanding the scope of our businesses**
 - To utilize external human resources to expand our production capabilities



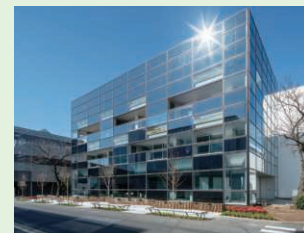
Group Infrastructure Development Plan

Key Sustainability Issues

Energy and Environment

Key Issue To target the front-runner status in the environmental sector, accelerating our initiatives toward carbon neutrality

- To achieve our target of “virtually zero” CO₂ emissions from business activities (carbon neutrality) (Scope 1 and 2)
 - To hold the sources of renewable energy, and reduce the fuel consumption
 - To launch the initiatives aimed at holding sources of renewable energy, in order to cover the Group’s consumption of electricity (aiming for 100MW by fiscal 2030)
 - To examine and introduce the measures to improve fuel usage at construction sites (biodiesel fuel and fuel additives)
- To enhance the performance of our Zero Energy Buildings (ZEBs), and expand green procurement (Scope 3)
 - To develop and commercialize next-generation high-performance ZEBs, and provide energy support services
 - To develop and use the carbon-recycle concrete
- To establish a system to manage the Group environmental targets
 - To set the targets for the Group as a whole as we look to obtain SBT recertification in fiscal 2025, and develop the systems at each Group company to achieve these targets
 - To introduce the systems for measuring and aggregating CO₂ emissions data from worksites
 - To promote TSA (TAISEI Sustainable Action*), and expand related measures



ZEB Demonstration Building: Human Space Lab

* The Action is aimed at achieving environmental targets for 2050 based on the participation of all employees and the rollout of technologies and initiatives aimed at reducing our environmental impact. The “TSA Point System” is used for quantitative evaluation of the results of these initiatives at worksites.

Safety

Key Issue To achieve zero fatal accidents and zero serious accidents

- To enhance the patrols by the Company and officers of Safety, Health, and Environment Cooperation Association, etc., ensuring thorough education in order to prevent designated disasters, etc.
 - To conduct the patrols by persons reporting directly to the three core divisions*¹, and officers of Safety, Health, and Environment Cooperation Association, etc.
 - To encourage the activities of Safety, Health, and Environment Cooperation Association and foremen’s associations, in order to enhance awareness of safety by on-site workers and reduce unsafe behaviors
- To conduct the environmental patrols and education (compliance with laws and regulations) in order to eliminate environmental accidents
 - To conduct the patrols in order to prevent accidents related to asbestos when dismantling and renovating buildings (including renewals), etc.
- To promote the health and safety and environmental management through the utilization of digital technologies, etc.
 - To ensure that all worksites install safety equipment on construction machinery
 - To enhance the frequency of patrols and the people conducting them through the use of wearable cameras
 - To develop and use the safety standards when introducing the technologies for automated and unmanned construction, etc.
- To enhance the support for all member companies of the Souyukai
 - To enhance and maintain the training for Souyukai*² members at the Konosu Training Center
 - To support for the registration and use of the CCUS: the systems for career advancement in the construction industry (appointment of persons to provide registration guidance, etc.)
- To promote the supply chain management aimed at solving environmental and social issues
 - To promote the procurement complying with the “CSR Procurement Guidelines” across the supply chain as a whole
 - To coordinate with suppliers in a way complying with the “Declaration of Partnership Building”

*1 Three core divisions: Building Construction Division, Civil Engineering Division, Safety Administration Division

*2 Souyukai: Association of key specialized contractors (cooperating companies)

Technical Development

Key Issue To promote the technical development to solve environmental and social issues through open innovation

● **Technical development contributing to industrial sectors expected to grow, through a virtuous cycle for the economy and environment**

Industrial sector*	Details	
Offshore wind power	Bottom-fixed and floating	<ul style="list-style-type: none"> ● Low-cost bottom-fixed and floating substructures and foundations
Logistics, people flow, and infrastructure	ICT construction	<ul style="list-style-type: none"> ● Unmanned construction*¹, robot construction technologies, 3D printer technologies
	Smart cities	<ul style="list-style-type: none"> ● Wireless EV-charging roads
	Disaster simulation	<ul style="list-style-type: none"> ● Realtime danger prediction (flooding, etc.)
Carbon recycling	Green procurement	<ul style="list-style-type: none"> ● Developing and using concrete made with recycled carbon
	CO ₂ recovery and storage	<ul style="list-style-type: none"> ● Evolution of technology related to storing CO₂ underground
Housing and building, next-generation PV	Use of wood materials	<ul style="list-style-type: none"> ● Hybrid construction, combining wood with reinforced concrete and steel, and technology to utilize CLT*²
	ZEBs	<ul style="list-style-type: none"> ● Next-generation high-performance ZEBs
	Next-generation solar power cells (PV)	<ul style="list-style-type: none"> ● Power generation systems integrated with glass and related products for renewal
Lifestyle-related industry	Smart communities	<ul style="list-style-type: none"> ● Technology for combining and coordinating regional renewable energy and devices that require energy
Hydrogen	Hydrogen storage and transportation	<ul style="list-style-type: none"> ● Demonstration of low-pressure hydrogen transportation systems
Nuclear power	New light-water reactors (LWR)	<ul style="list-style-type: none"> ● Technology to enhance the safety and economic efficiency of nuclear power facilities
Foods, agriculture, forestry, and fisheries	Plant factories	<ul style="list-style-type: none"> ● Efficient cultivation systems that reduce light energy
Resource circulation	Energy recovery	<ul style="list-style-type: none"> ● Technology for using methane gas

* Industrial sectors are quoted from "Growth Sectors" in the government of Japan's "Green Growth Strategy"



*1 Unmanned construction technology: T-IROBO® series



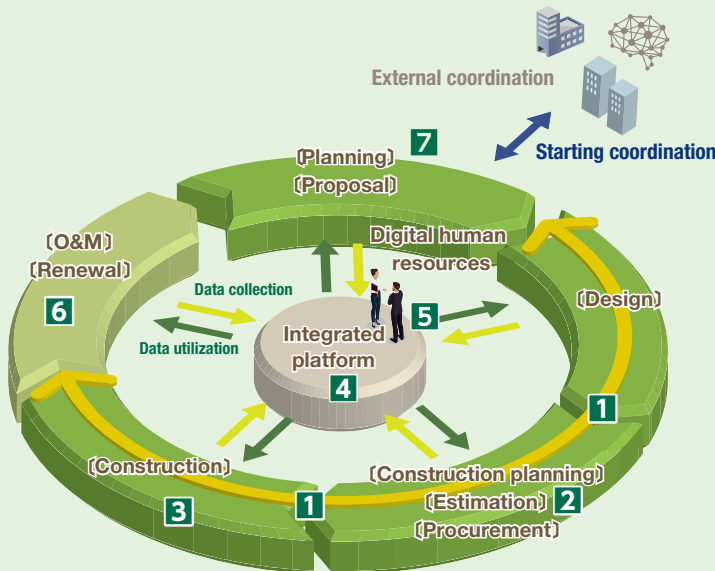
*2 Technology utilizing CLT: Inside of a wind tunnel test building (before wind tunnel installation)

● **Technical development where the Company has a competitive edge**

Details	
Special technology for applying to large projects	<ul style="list-style-type: none"> ● Large-scale foundations, tunnel construction-related, building large underground spaces, etc.
Technology contributing to higher added value and higher quality	<ul style="list-style-type: none"> ● Disaster prevention and mitigation technology, new materials, structures and framework systems, engineering technology, renewal technology, wellness technology, etc.

DX

Key Issue To Innovate the production systems, and reform the workstyles through digital transformation (DX)



- 1 To establish Digital Twin based on coordination with the BIM/CIM design and construction cloud

- 2 To improve the systems for providing procurement-related information

- 3 To establish the production process in a visualized and efficient ways through state-of-the-art digital technology

- 4 To build an integrated platform

- 5 To secure digital human resources, and establish a rotation system

- 6 To establish a business in the operations and maintenance (O&M) area

- 7 To shift to a style of data-based sales through making proposals at the optimal timing

Workstyle Reform and Governance

Key Issue To promote the measures that emphasize an attractive working environment as well as diversity and inclusion

- To establish the workstyles and the working environments that enable a diverse range of human resources to fully perform their abilities
 - To expand mid-career recruitment of diverse human resources, such as human resources familiar with digital transformation (DX), studying and implementing the plans for their compensation and other benefits
 - To study and implement the plans to establish the workstyles where female employees, elderly employees, and others can fully perform their abilities, respecting such employees' changes in life stage, level of abilities, and ambitions
 - To study and implement the compensation and personnel systems reflecting employees' positions, responsibilities, and results

Key Issue To maximize synergies by rebuilding Group governance systems

- To clarify the functions of the Group Head Office
 - To clarify the roles of corporate divisions at Group Head Office and business divisions
 - To study the approaches to Group corporate governance systems that take into consideration expansion in the scope of the Group's businesses
- To establish the effective systems to manage Group companies, etc.
 - To revise the basic framework related to Group management
 - To appropriately operate the systems for internal control within the Group based on establishing "three lines of defense"

Overview of Sustainability-Focused Management and Medium-Term Business Plan Initiatives

International disclosure standards, code of conduct, and standards of behavior:

- GRI Standards
- UN Global Compact
- ISO 26000

Represents the seven core subjects of ISO 26000.

Materiality (Important issues to be addressed)

E	① Realization of a sustainable and environmentally friendly society	Environment
	② Ensuring quality and improving technology	
S	③ Technical development for realizing a sustainable society	
	④ Promotion of supply chain management	
	⑤ Thorough management of occupational health and safety	
	⑥ Cultivation of technical staff and securing human resources	
	⑦ Realization of an attractive working environment that is good to work in	
	⑧ Thorough compliance and restructuring of the Group governance system	

TAISEI Green Target 2050

- **Decarbonized Society** CO₂ emissions from business activities: virtually zero
- **Recycling Oriented Society** Final disposal rate of construction waste: 0%
- **Nature Co-Existing Society** Minimize the impact on the natural capital
- **Safety Secured Society** Provide value with zero social and environmental risks

Key measures under the Medium-Term Management Plan

<ul style="list-style-type: none"> ● To achieve our target of "virtually zero" CO₂ emissions from business activities (carbon neutrality) (Scope 1 and 2) ● To enhance the performance of our Zero Energy Buildings (ZEBs), and expand green procurement (Scope 3) ● To establish a system to manage the Group environmental targets ● To conduct the environmental patrols and education to eliminate environmental accidents 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Environment</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Environment</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Environment</div> <div style="background-color: #c6e0b4; padding: 2px;">Safety</div>
<ul style="list-style-type: none"> ● Technical development where the Company has a competitive edge ● To establish Digital Twin based on coordination with the BIM/CIM design and construction cloud ● To establish the production process in a visualized and efficient ways through state-of-the-art digital technology 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Technical Development</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">DX</div> <div style="background-color: #c6e0b4; padding: 2px;">DX</div>
<ul style="list-style-type: none"> ● To develop and commercialize next-generation high-performance ZEBs and develop and use the carbon-recycle concrete ● Technical development contributing to industrial sectors expected to grow, through a virtuous cycle for the economy and environment ● To establish a business in the operations and maintenance (O&M) area ● To shift to a style of data-based sales through making proposals at the optimal timing 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Technical Development</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Technical Development</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">DX</div> <div style="background-color: #c6e0b4; padding: 2px;">DX</div>
<ul style="list-style-type: none"> ● To promote the supply chain management aimed at solving environmental and social issues, etc. <ul style="list-style-type: none"> ● To promote the procurement complying with the "CSR Procurement Guidelines" across the supply chain as a whole ● To coordinate with suppliers in a way complying with the "Declaration of Partnership Building" ● To improve the systems for providing procurement-related information 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Safety</div> <div style="background-color: #c6e0b4; padding: 2px;">DX</div>
<ul style="list-style-type: none"> ● To enhance the patrols by the Company and officers of Safety, Health, and Environment Cooperation Association, etc., ensuring thorough education in order to prevent designated disasters, etc. ● To promote the health and safety and environmental management through the utilization of digital technologies, etc. 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Safety</div> <div style="background-color: #c6e0b4; padding: 2px;">Safety</div>
<ul style="list-style-type: none"> ● To promote Roadmap to fiscal 2024 for "addressing long working hours" ● To enhance the support for all member companies of the Soyukai <ul style="list-style-type: none"> ● To enhance and maintain the training for Souyukai members at the Konosu Training Center ● To support the registration and use of the Construction Career Up System (CCUS) 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Work Style Reform</div> <div style="background-color: #c6e0b4; padding: 2px;">Safety</div>
<ul style="list-style-type: none"> ● To establish the workstyles and the working environments that enable a diverse range of human resources to fully perform their abilities <ul style="list-style-type: none"> ● To expand mid-career recruitment, studying and implementing the plans for their compensation and other benefits ● To study and implement the plans to establish the workstyles where female employees, elderly employees, and others can fully perform their abilities ● To secure digital human resources, and establish a rotation system 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Work Style Reform</div> <div style="background-color: #c6e0b4; padding: 2px;">DX</div>
<ul style="list-style-type: none"> ● To clarify the functions of the Group Head Office ● To establish the effective systems to manage Group companies, etc. ● To build an integrated platform 	<div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Governance</div> <div style="background-color: #c6e0b4; padding: 2px; margin-bottom: 2px;">Governance</div> <div style="background-color: #c6e0b4; padding: 2px;">DX</div>

Relationship with SDGs, etc.



Energy




Climate change



Infrastructure



Safe city



Employment

Compliance with the Revised Labor Standards Act (FY2024)

Achievement of the targets of the General Employers Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace (FY2025)











■ Applicable items of the infrastructure development plan

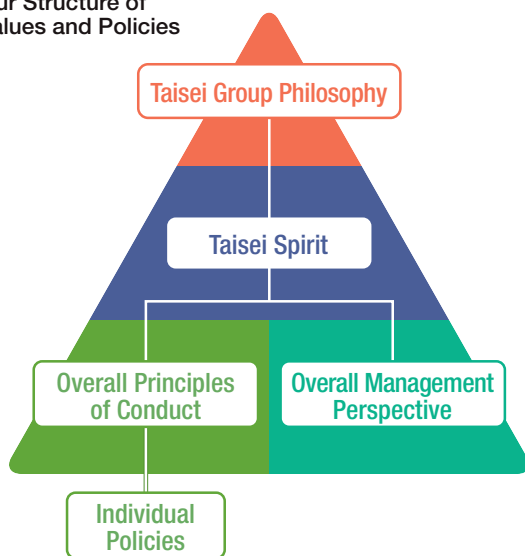
Sustainability of
the Taisei Group

Sustainability of the Taisei Group

Sustainability Framework

To pursue the Taisei Group Philosophy “to create a vibrant environment for all members of society,” all officers and employees share the “Taisei Spirit,” and carry out corporate actions based on the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole and Individual Policies “Overall Principles of Conduct” and “Overall Management Perspective” and Medium-Term Business Plan. The basic principle of sustainability is to realize a sustainable society in the course of these actions through the wishes and expectations of our stakeholders, while being aware of the issues of sustainable society and contributing towards their resolution.

Our Structure of Values and Policies



Individual Policies and Standards on Sustainability

Environment	<ul style="list-style-type: none"> ● Environmental Policy ● Environmental Targets ● Declaration of Taisei Corporation on Biodiversity Preservation
Social	<ul style="list-style-type: none"> ● Quality Policy ● Safety and Health Policy ● Procurement Policy ● Human Rights Policy ● Social Contribution Policy
Governance	<ul style="list-style-type: none"> ● Risk Management Policy ● Policy on Business Continuity in Times of Disaster ● Fundamental Policy to Enhance Operational Compliance Systems ● Information Disclosure Policy ● Policy on Intellectual Property ● Policy on the Protection of Personal Information ● Code of Conduct on the Use of Social Media ● Fundamental Corporate Governance Policy ● IR Policy ● Tax Policy ● Declaration of Partnership Building

 [Our Structure of Values and Policies](https://www.taisei.co.jp/english/profile/philosophy/)
https://www.taisei.co.jp/english/profile/philosophy/

 [Individual Policies](https://www.taisei.co.jp/english/profile/philosophy/policies/)
https://www.taisei.co.jp/english/profile/philosophy/policies/

ISO 26000 and CSR Activities

The Taisei Group identifies CSR issues extracted from the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, Individual Policies and the Medium-Term Business Plan, and the core subjects of ISO 26000, the international guidance on organizational social responsibility, and implements CSR management.

We disclose information on our activities and achievements on the Taisei Corporation’s official website, and strive to deepen dialogue with our many stakeholders to enhance corporate value.

Various committees related to CSR and ESG

(FY2020)

● CSR Committee	Chairperson: External Member of the Board Frequency: three times a year
● Compliance Committee	Chairperson: External expert Frequency: once a year
● Technology Committee	Chairperson: President, Representative Director Frequency: four times a year
● Central Safety Committee	Chairperson: Vice President, Representative Director Frequency: five times a year
● Environment Committee	Chairperson: President, Representative Director Frequency: four times a year
● Risk Management Committee	Chairperson: Vice President, Representative Director Frequency: once a year
● Central Labor Affairs Committee	Chairperson: Vice President, Representative Director Frequency: twice times a year
● Digital Transformation (DX) Promotion Committee	Chairperson: Senior Managing Executive Officer, Chief of Corporate Planning Office Frequency: twice a year

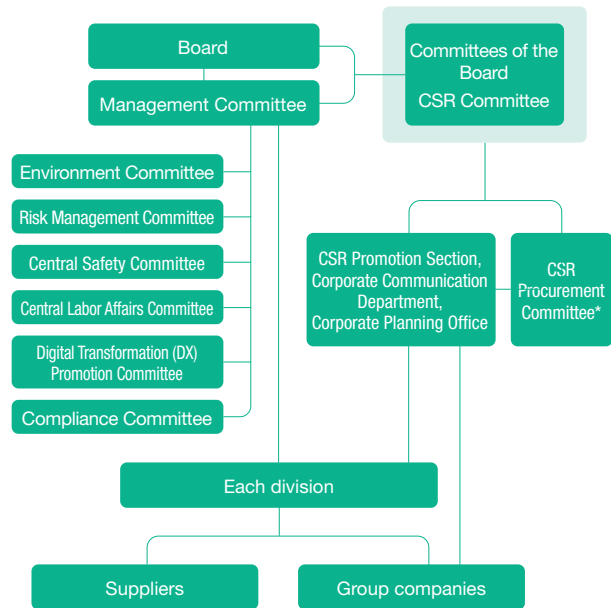
CSR Promotion System and Management

The CSR Committee, which is a committee of the Board, has been established to deliberate on CSR policies and measures. The CSR Committee, chaired by an External Member of the Board to incorporate an outside perspective, is composed of eight Members including the President. It regularly discusses and reports on the revision or abolition of the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, etc., and the Taisei Group’s non-financial initiatives, including ESG, for the entire Group including the Company.

The CSR Promotion Office provides education and guidance on CSR with each business division and Group company, and incorporates CSR activities into daily business activities.

We have also established various committees to deliberate on important matters related to CSR, including the Compliance Committee and the Environment Committee, which are advisory bodies to the Management Committee. These committees discuss policies, systems, and frameworks for promoting each CSR field.

CSR Promotion System Diagram



* Composed of the Corporate Planning Office, Safety Administration Division, Building Construction Division, Civil Engineering Division, and Procurement Division



Chart of corporate governance system
p.63 Governance Section

Achievements of the CSR Committee in Fiscal 2020

In fiscal 2020, Taisei Corporation held the CSR Committee three times (in June, February, and March). The CSR Committee discussed revisions to the Taisei Group’s materiality and information disclosure based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

- Main items to be discussed
 - Materiality, operational status of corporate ethics and helplines, verification of effectiveness, setting of key performance indicators (KPIs), TCFD recommendations, editing policy of integrated reports, etc.

● Committee members

- Chairperson: External Member of the Board
- Members: President, Representative Director; Vice Chairman, Representative Director; Executive Vice President, Representative Director, Chief of Civil Engineering Division; Executive Vice President, Representative Director, Chief of Business Administration Division; Three External Members of the Board
- Observer: Senior Managing Executive Officer, Chief of Corporate Planning Office
- Secretariat: CSR Promotion Section, Corporate Communication Department, Corporate Planning Office

Communication with Stakeholders

Customers

- CSR procurement questionnaire survey
- Customer satisfaction survey
- Website/Integrated Report etc.

Shareholders/Investors

- General Meeting of Shareholders/Securities Report
- IR briefing
- Website/Integrated Report etc.

Suppliers

- Holding various training and seminars
- Consultation windows
- CSR procurement questionnaire survey etc.

Employees

- Exchanging opinions with the labor union
- Holding various training seminars
- Employee satisfaction surveys
- Consultation windows
- Intranet/in-house newsletter etc.

Local communities

- Workplace tours/briefings, tours of the Taisei Advanced Center of Technology, and open innovation
- Support for global human resource education through scholarships, etc., and support for natural environment conservation activities
- Promotion of construction culture through the lending of architectural works etc.

Participation in Initiatives

● United Nations Global Compact (GC) / Sustainable Development Goals (SDGs)

To take a more global perspective on CSR and link it to social issues related to sustainability, we incorporate frameworks for CSR management such as the SDGs and the GC, and implement continuous CSR activities in collaboration with CSR-related organizations such as CARE International Japan, an international cooperation NGO that provides humanitarian assistance in more than 90 countries.



The Ten Principles of the UN Global Compact

Human Rights		Environment	
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	Principle 7:	Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.
Principle 2:	make sure that they are not complicit in human rights abuses.	Principle 8:	Businesses should work against corruption in all its forms, including extortion and bribery.
Labor		Anti-Corruption	
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Principle 9:	Businesses should work against corruption in all its forms, including extortion and bribery.
Principle 4:	the elimination of all forms of forced and compulsory labor;	Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.
Principle 5:	the effective abolition of child labor; and		
Principle 6:	the elimination of discrimination in respect of employment and occupation.		



Global Compact Network Japan
<http://www.ungcjin.org/gc/>



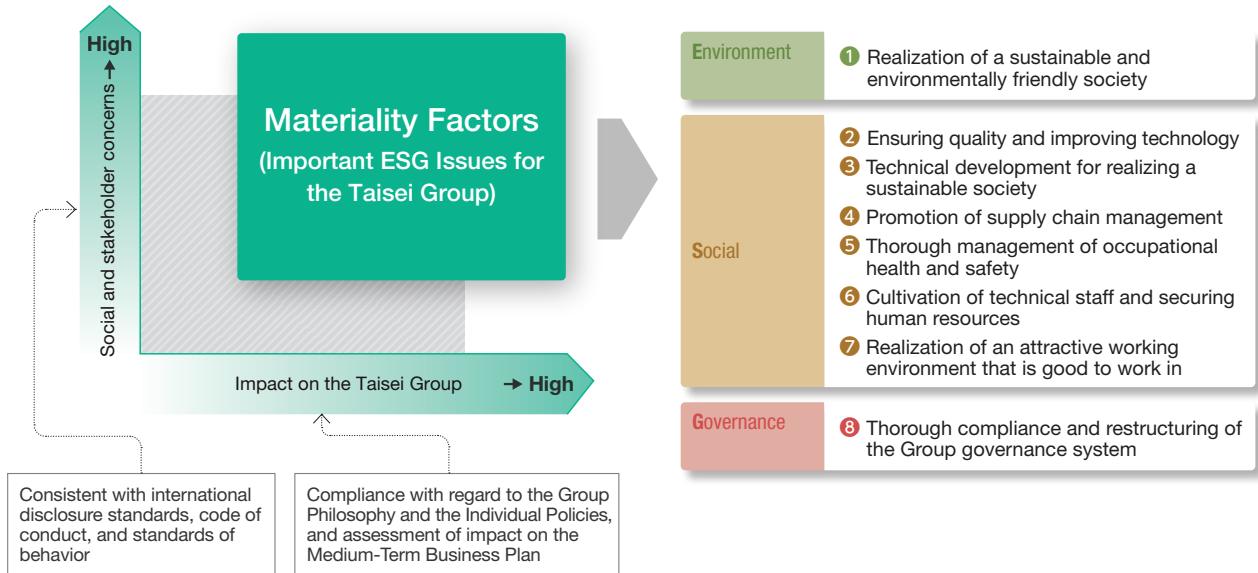
Towards Sustainable Value Creation
 pp.33-36 Talk on the SDGs



Towards Sustainable Value Creation
 p.30 Materiality of the Taisei Group

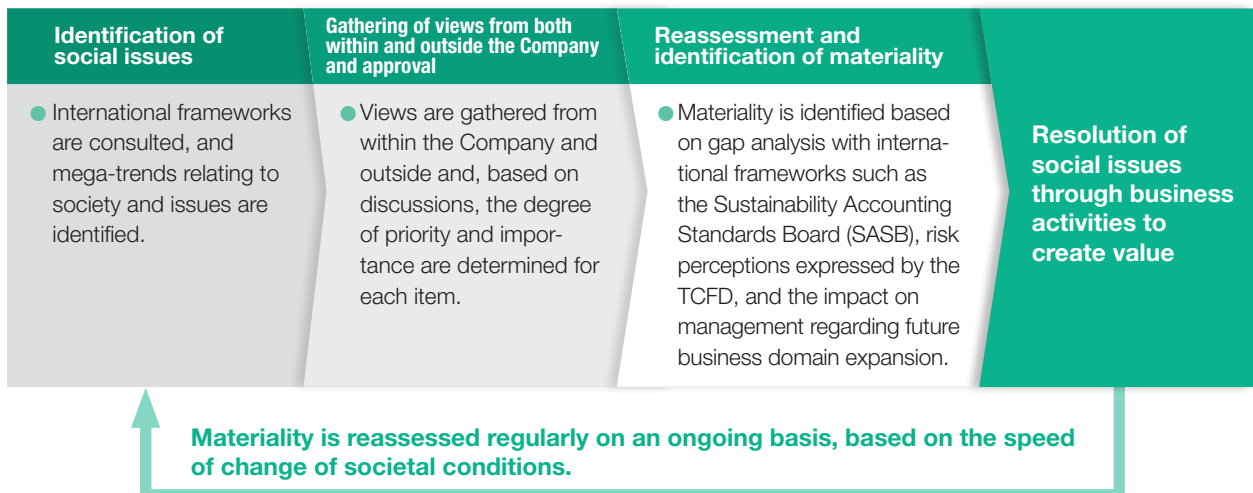
Materiality of the Taisei Group

The Taisei Group continually reviews its materiality in light of the impact it has on the Group’s management, as well as recognizing the interests of society and stakeholders and social issues. In fiscal 2020, we revised some of the materiality.



Materiality Identification Process

Tasks and key performance indicators (KPIs) are clarified in accordance with materiality. Efforts are promoted for these tasks and KPIs to resolve social issues through business activities and create value.



Materiality and KPIs 2020–2023

	Materiality (Related ISO 26000)	Scope of report	Key performance indicators (KPIs)
E	① Realization of a sustainable and environmentally friendly society (Environment)	Non-consolidated	At construction stage: Reduction rate of CO ₂ emissions per construction cost (intensity)*
			Reduction rate of total CO ₂ emissions*
		At building operation stage: Reduction rate of estimated CO ₂ emissions*	
S	② Ensuring quality and improving technology (Consumer issues)	Non-consolidated	Customer satisfaction (Civil Engineering)
			Customer satisfaction (Building Construction)
	Taisei Group	Productivity (Net sales/number of employees)	
	Non-consolidated	Number of patent applications filed	
		Number of orders received for net Zero Energy Buildings (ZEBs)	
	Taisei Group	Supplier's conformity rates with the Taisei Group CSR Procurement Standards	
		Number of fatal accidents	
Non-consolidated	Worksite registration rate of Construction Career Up System		
	Health management overtime		
	Worksite implementation rate of a five-day work week (closed eight days in four weeks) (Civil Engineering)		
Non-consolidated	Worksite implementation rate of a five-day work week (closed eight days in four weeks) (Construction Building)		
	Number of female managers		
Non-consolidated	Rate of taking childcare leave by males		
	Taisei Group	Number of major information security accidents	
Non-consolidated		Attendance rate at compliance training including anti-corruption	
G	⑧ Thorough compliance and restructuring of the Group governance system (Organization governance / Fair operating practices)		

* Compared to fiscal 1990 (a base year for emissions targets). The Group's targets are to be established by the end of fiscal 2021.

				Relationship with SDGs														Page
	2020		2023	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
	Target	Result	Target															
	27%	30.3%	41%															
	52%	54.5%	50%			●	●	●	●		●	●	●	●	●			●
	40%	41.4%	43%															
	100%	98.6%	100%															
	100%	90.0%	100%					●	●		●		●					●
	—	¥67 million	¥83 million															
	230 cases	266 cases	260 cases															
	—	5 projects/year	8 projects/year				●		●		●		●					●
	—	92.1%	100%	●				●	●		●	●	●					
	0 cases	5 cases	0 cases					●	●		●	●	●		●			●
	80%	100%	100%															
	—	Monthly target: 50 hours Persons who exceeded 720 overtime working hours per year: 25.4%	Monthly target: 50 hours Persons who exceeded 720 overtime working hours per year: 0%	●				●	●		●	●	●					
	—	41.6%	100%															
	—	32.4%	100%															
	230 persons	236 persons	330 persons	●	●			●	●	●								●
	100%	100%	100%															●
	0 cases	1 cases	0 cases															●
	—	100%	100%					●	●	●	●	●	●				●	●

Feature
Article
No. 1

Aiming to Become a Front-Runner in the Environmental Sector, We Will Accelerate Our Efforts to Realize Carbon Neutrality

Chief of Environment
Division

Shuichi OKUDA



Mizuho Research &
Technologies, Ltd.
Deputy Chief of
Environment and Energy
Division 2

Masahiko SHIBATA

Profile:
Joined Fuji Research Institute
Corporation (current Mizuho
Research & Technologies, Ltd.)
in 2001

After the enforcement of the Paris Agreement and the adoption of Sustainable Development Goals (SDGs), the importance of tackling climate change by the entire international community is rapidly increasing. The Taisei Group is also accelerating its initiatives to reduce CO₂ and pursue carbon neutrality.

We invite Mr. Masahiko SHIBATA, who has for many years have been supporting a number of companies to establish long-term visions and strategies on environmental and ESG themes. Mr. SHIBATA and Mr. OKUDA, Chief of Environment Division, who leads the environmental management of Taisei Corporation, talked about our Group's specific measures and future challenges.

World's Trend towards Decarbonization

OKUDA: For the past year, each country in the world including Japan has been working on carbon neutrality. Through your research on the trends of many countries and companies as a consultant, could you please share with us how you are seeing it and which direction the trends will go from here.

SHIBATA: Japan has set the fundamental policy towards carbon neutrality, then a new market has been created, and the necessary policies have become clarified. I see

that many companies are accelerating their move towards decarbonization to capture this opportunity because it is foreseen that this will attract public funding in addition to the capital from the private sector.

The environment policies so far mainly focused on energy conservation, resource conservation and recycling, and we cannot deny that they had the aspect of saving and patience. But now, since it becomes necessary to transform the society itself to realize decarbonization, I feel

that the atmosphere of the industry world has significantly changed in order to capture the demand for goods, services, and social infrastructure which are generated during the process of such transformation. Although it may take some time that these businesses will become profitable, companies set high goals because they consider, from a long-term perspective, they will surely contribute to increasing profits and corporate values. This point is a big change in the world's view where it was just talking on how to "reduce the burden on the environment."

The Taisei Group's Environmental Management

SHIBATA: One of the important issues of your company's Medium-Term Business Plan is "To target the frontrunner status in the environmental sector, accelerating our initiatives toward carbon neutrality." Could you please share your future challenges?

OKUDA: It is common in the construction industry to use the sampling method to survey the estimated amount of CO₂ emission. We also picked up some construction sites as a sample instead of all of the sites and calculated the total emission amount according to the survey results. Numerous heavy construction machinery of various types are used at our construction sites per day and therefore it is very difficult to grasp the amount of fuel used. However, by this method, the construction sites cannot feel any reduction effect at all. Therefore, we intend to develop and try the measurement and calculation system of CO₂ emissions for each of the construction sites during this fiscal year and we are planning to introduce the system in the next fiscal year and later. We believe that the introduction of this system will link to the change of the mind-set of the employees working at the construction sites.

One additional point is, we intend to establish a system to manage the Group's environmental targets. Each Group company has already been compiling data on the CO₂ emissions associated with their business activities, but in order to be recertified with Science Based Target (SBT) in fiscal year 2025, it is important to facilitate a Group-wide target-setting that covers the operation phase after the delivery to the client in addition to the construction phase, as well as the establishment of an organizational structure within each of the Group company to achieve the target. These are the two big themes for the infrastructure development plan for the Group.

To prioritize these issues, we have established multiple subcommittees under the Environment Committee chaired by our President to set up a scheme to work on by a cross-department structure including our Group companies.

Furthermore, we newly organized the "Carbon Neutral Promotion Department" as a section to promote decarbonization within the Environment Division.

SHIBATA: Currently, there is a strong trend to measure CO₂ emissions of the entire supply chain. Recently, project owners of the building or infrastructure under construction have been gradually required to acknowledge and reduce the CO₂ emission amount during the construction phase. Currently, the CO₂ emissions during the construction phase is calculated by multiplying the construction costs by the average emission factor of the industry. However, this method cannot evaluate the effort of the construction company to reduce CO₂ during the construction phase. It is natural that project owners would like to know the actual measured amount of the CO₂ emissions by the construction company and the construction site if project owners want their ordered building or infrastructure to be constructed with less CO₂ emissions. If so, it will be a new value that construction companies can provide to the project owner by completing the construction with less CO₂ emissions and submitting its data through original ideas and innovations which will become one of the criteria in selecting the construction company. I think your company's introduction and deployment of the measurement and calculation system of CO₂ emissions measuring is truly a move that matches the current era.

Direction of Carbon Pricing

SHIBATA: The symbolic part of carbon neutrality is about carbon pricing (hereinafter "CP"). To realize decarbonization, it is necessary to establish a mechanism that makes it more cost-effective to use new energy and fuel rather than petroleum, coal, and gas. Inevitably, the discussion regarding CP will progress in full-scale. Companies who invested in new demand need to make the price difference between fossil-derived resources and decarbonized resources clear in order to show that appropriate profits will be derived from the investment. For example, regarding your company's carbon-recycle concrete, it is assumed that the price is currently higher than that of ordinary concrete. It is important that carbon-recycle concrete could be used at the same or lower price than ordinary concrete including the effect of its reduction in CO₂ emission.

OKUDA: In the near future, a society that compares costs including the price of carbon will arrive. Until now, the focus was rather on cost and corporate earnings compared to the reduction of burden on the environment, but when it comes to decarbonization, costs will increase and downward pressure on corporate earnings

SDGs Goals 7 and 13



Goals 7:
Ensure access to affordable, reliable, sustainable and modern energy for all.



Goals 13:
Take urgent action to combat climate change and its impacts.

may be applied for the time being. However, changing our mind-set that “we will still pursue (decarbonization)” is necessary. I have the impression that taking an advanced approach will lead to the realization of a society that the SDGs are aiming for, and at the same time, improve corporate value and competitive advantage. We used to be suspicious about this kind of idea. However, we are now at the stage where the rest of the world shares this direction.

SHIBATA: Just recently, an organization, which was jointly established by major asset management companies around the world to target carbon neutralization through investment, issued a statement, which called for a coordinated global price on carbon. From now and onwards, they will shift their funding to companies that work on carbon neutrality while giving importance on the financial performance of their investment targets. In a world where CP is effective, companies pursuing carbon neutrality can make proper profits. On the other hand, if companies ended up with high costs as they keep using expensive hydrogen, asset owners who invested in such companies could not generate a profit. Therefore, the statement encourages us to actively implement CP. In addition, advanced environmentally friendly companies are promoting the implementation of internal carbon pricing (ICP) as a measure to promote decarbonization-related investment and decarbonization measures. This is a system to voluntarily sets the carbon price of its own company to reflect the economic impact of CO₂ into its corporate activity to use it as an incentive for promoting energy conservation and as a principle for decision-making in investments. It also has the aspect of preparing for CP, which is likely to be implemented in the future. Your company is making use of ICP?



OKUDA: Yes. While we were researching on ICP, we found that CP is on a steep increase trend in Europe, which is an advanced environmentally friendly region. Carbon price of emission trading in the EU is currently around 6,000 yen/ton (CO₂), which is 2.5 times higher than that of a year ago and may further increase. We are not sure about the future trends, but we set our ICP price based on the predictions by the International Energy Agency (IEA). I think it is necessary to figure out a better utilization method in order to make it function as an effective measure to reduce CO₂.

SHIBATA: Since the proper pricing of ICP changes according to the trend of each country’s system, so we must watch the latest trends and regularly review it with a mind of future investment. Based on the current upward trend, I recommend to take the stance of adopting a one-rank higher level in line with the IEA’s Net Zero roadmap.

By doing so, you can clearly show your advanced and motivated attitude. Meanwhile, in order to utilize ICP effectively, it is important to promote the understanding and spread the idea inside the company.

Environmental Vision and SDGs

SHIBATA: How will Taisei Group contribute to realizing the society that SDGs are aiming for and also to the decarbonization of Japan and the world? How is that linked to the sustainable growth of the company?

OKUDA: The long-term vision “TAISEI VISION 2030” we announced this time is positioned to embody the Taisei Group Philosophy “To create a vibrant environment for all members of society.” We view that “a vibrant environment for all members of society” overlaps with the society that SDGs aim to realize. By implementing our efforts towards carbon neutrality into the long-term vision and the management plan, the path to sustainability can be clarified, such as contributing to the society through our business and contributing to the realization of a society that SDGs are aiming to achieve.

Up until now, our focus prioritized more on our business and corporate earnings, but now, business strategy, decarbonization, and from a broader viewpoint, to arrange the infrastructure development plan for sustainability including the environmental matters are regarded as a set.

The long-term vision and the management plan with examples such as increasing environment related investments is in line with the trend of the society to put importance on environment issues. This puts the Environment Division in a good position to promote activities to reduce the burden on the environment.

SHIBATA: Until a few years ago, there was a tendency for the Medium-Term Business Plan to be established first, then the CO₂ reduction target to be determined to be a number possible to achieve within the range of the Medium-Term Business Plan. However, this has started to change recently and companies have begun to draw its future by incorporating CO₂ constraints into the long-term numerical management targets while taking in the consideration of possible growth. I think your company's long-term vision and Medium-Term Business Plan this time are excellent examples that such factors are reflected brilliantly.

For the Decarbonization of the Entire Value Chain

SHIBATA: According to IEA's analysis, the decarbonization of energy from power sources will greatly progress between 2030 and 2040. On the other hand, it also states that the decarbonization of concrete and iron is falling behind, and must be promoted. This is probably the request from the project owner, and the supplier side is also expected to proceed with implementing its own measures. However, I believe that general contractors which design an entire value chain, such as your company, are in the position to change the society for realizing a decarbonized society by connecting project owners' needs with the technology of suppliers and by adding values yourself. In that sense, I think your company has already had the necessary items such as detailed CO₂ emission data and carbon-recycle concrete. Even watching as an external party, I am confident that you will conduct very exciting and interesting initiatives.

OKUDA: We are also promoting green procurement, namely, adoption of materials, equipment and building methods of low environmental impact. It is necessary to get our clients' understanding that this is to create a recycling-based society. In that sense, decarbonization will not proceed without pursuing it with the entire value chain including the clients. For the upstream part such as material procurement, we shall cooperate and collaborate with companies pursuing decarbonization and put priority in choosing such companies. As for the downstream part, which is after the delivery to a client, we shall share the same issue of decarbonization with the client, and make various proposals to meet the needs of the clients by



focusing on the development of technology and the realization of practical use of ZEBs and zero-energy factories (ZEFs) with higher functions and wooden building construction. We suppose that more and more clients will request such buildings for the clients themselves to advance decarbonization. Therefore, we are also focusing on research and development in that area.

In addition to that, regarding the renewal of current existing structures, a market of renewal ZEB and related technology developments will be formed in the future. So, we would like to focus on those matters as well.

SHIBATA: I think that a company like yours is in a position where it can affect national policies. Those who draft decarbonization policies cannot draft inducing policies without the existence of leading cases. Once we implemented a case without the existence of inducing policy, the company's profitability might temporarily worsen while it might be difficult for you to assess the effect. Although it might be an ideal theory, we could come up with a fabulous system in a mid to long-term viewpoint, ignoring its profitability, to have the government understand how great it would be, and encourage the government to establish inducing policies and/or a subsidy program. I think your company is capable of doing that, and I have high expectations that you will.

OKUDA: To become a front-runner in the environmental sector, it is necessary to proceed with that sort of attitude.

SHIBATA: The decarbonization-related system is making changes time by time. Although it may not completely apply to the construction industry, it is important to look ahead and keep adjusting the business model, rather than sticking to the business model that fits into a certain system in a certain timing. We are living in an era where a business based on a certain system formed once cannot last for 10, 20 and 30 years, and we must assess whether the business is effective every 10 years.

OKUDA: Thank you very much for sharing your thought-provoking comments today. We would like to refer to them in our future activities such as ICP.

Environment topic 1

Information Disclosure Based on the Recommendations by The Task Force on Climate-Related Financial Disclosures (TCFD)



These days, abnormal weather phenomena, their associated natural disasters, and the like are occurring more frequently and on a larger scale than before, and threatening the safety and comfort of our lives. These changes significantly affect the policies of countries including Japan, resulting in a big trend of decarbonization from the Kyoto Protocol to the Paris Agreement and the adoption of SDGs, and increase the expectations for the roles that companies play.

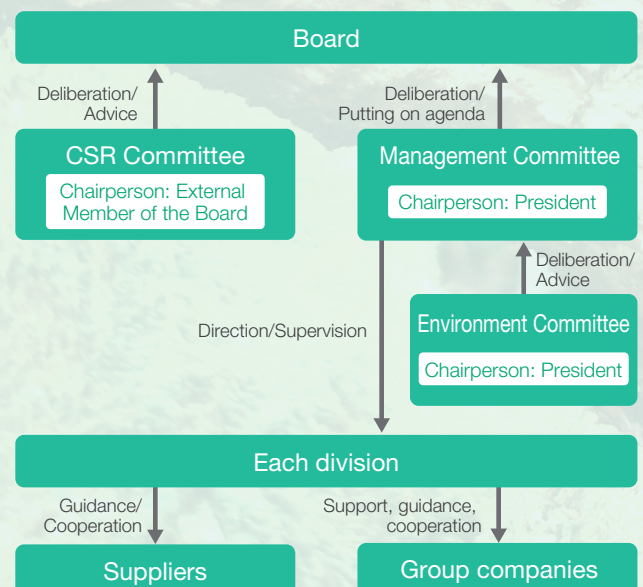
At the Taisei Group, we view the impact of climate change on our business as an important management issue. In fiscal 2018, we reviewed the 2050 Environmental Targets “TAISEI Green Target 2050” established in 2013. We also agreed on the TCFD recommendations in July 2020.

Furthermore, based on the government’s carbon neutral declaration announced in October 2020, we will review TAISEI Green Target 2050 again in 2021 and aim to have “virtually zero” CO₂ emissions from business activities by 2050. In addition to our reduction efforts, we will work on the value chain, and contribute to the realization of a decarbonized society. We will continue to promote information disclosure in line with the TCFD recommendations, and aim to realize a sustainable society and improve corporate value by carefully watching and responding to government measures and social trends related to the impact of climate change and CO₂ emission reduction.

Governance

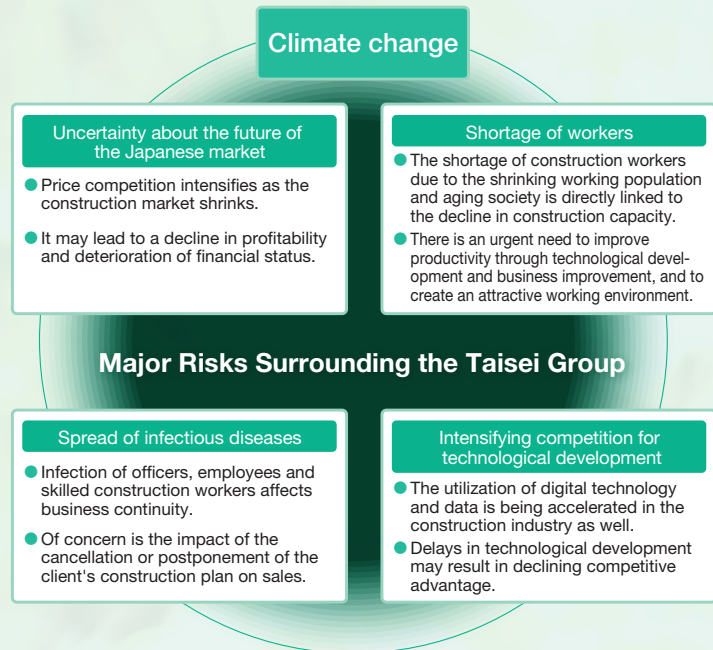
- » The CSR Committee and the Environment Committee have been established as meeting bodies to discuss climate change-related agenda. After discussion by the committees, the Board meeting deliberates and decides on the agenda.
- » The important policies and measures for ESG in general are discussed by the CSR Committee, which is one of the committees of the Board, and the formulation of basic policies and medium- and long-term goals for environmental management is deliberated by an advisory body of the Management Committees, the Environment Committee.
- » The agenda deliberated and determined by the Board meeting are passed on to each business unit and Group company, and are reflected in their management plan and business operations. In addition, the content will be incorporated into the specific actions of construction worksites. We will also request the cooperation of our suppliers.

Chart of Climate-Related Governance System



Strategies

- We recognize various medium- to long-term risks including the major ones listed below. We conducted scenario analysis on one of them, climate change risk.
- Climate change risk includes risk caused by transitions such as the reinforcement of regulations to minimize temperature increases and changes in the market, and risk that arises with physical changes such as acute abnormal weather that occurs due to higher temperatures.
- To establish business strategies that flexibly respond to climate change, we use multiple scenarios to evaluate the impact on our business. For the scenario analysis, we refer to the Sustainable Development Scenario (SDS) by the International Energy Agency (IEA) for the scenario where transitions will progress, and the Representative Concentration Pathways (RCP) scenario by the Intergovernmental Panel on Climate Change (IPCC), etc. for cases where physical changes will progress. In this way, we verify the validity of our business strategy.



➤ Major risks and opportunities concerning climate change

Classification	Risk/Opportunity		Description	Impact level
Shift	Market shrinkage and increase in construction cost due to the introduction of carbon pricing and tightened CO ₂ emission regulations	Risk	● Decrease in private construction investment and equipment investment due to the introduction of carbon pricing and the reinforcement of CO ₂ emission regulations	Medium
			● Increase in construction costs due to a hike in the prices of building materials and electricity	
	Increase in costs due to the application of carbon pricing to the CO ₂ that is generated by our business activities	Low		
	Increase in demand for renewal	Opportunity	● Increase in demand for renewal to improve energy efficiency of existing facilities	Medium
	Increase in demand related to energy-saving and renewable energy	Opportunity	● Increase in demand related to ZEB and smart cities ● Expansion of demand for renewable energy-related works such as offshore wind power	Medium
Physical	Increase in average temperature during summer	Risk	● Decline in productivity due to an increase in damage to the health (heat stroke, etc.) of skilled construction workers and the avoidance of extremely hot hours ● Accelerated worker shortage due to the decline in the number of new workers in the construction industry because of the degraded working environment	Medium
	Increase in severity and frequency of natural disasters	Risk	● Work suspension, process delay, and increase in labor and temporary work costs due to damage to construction worksites, etc.	Medium
		Risk	● Increase in procurement costs and process delays due to damage to suppliers	High
		Opportunity	● Increase in demand to improve the resilience of equipment and infrastructure against intensified disasters	High
		Opportunity	● Increase in new construction and relocation works due to growing demand for relocation from disaster hazard areas	High
Rise in sea level	Opportunity	● Increase in the capital investment for improved resilience in areas with a flood risk and demand for relocation from areas with a flood risk	High	

Note: Possible works are classified by the significance of impact as "High," "Medium" and "Low."

Countermeasures required for the risks and opportunities identified with scenario analysis are reflected in the Medium-Term Business Plan (2021–2023). They are also incorporated into the business operations of each division. Accordingly, we will reduce the risks associated with climate change and expand opportunities.

Countermeasures for Climate Change	
Response to the market shrinkage and construction cost increase due to the introduction of carbon pricing and the tightening of laws and regulations	<ul style="list-style-type: none"> ● Owning renewable energy power sources for the purpose of covering the power consumption of the Group ● Consideration and introduction of fuel improvement measures (biodiesel fuel/fuel additives) for construction worksites ● Enhancement of green procurement such as the development and utilization of carbon-recycle concrete
Response to the increase in demand related to renewal, energy-saving and renewable energy	<ul style="list-style-type: none"> ● Establishment of an organization dedicated to renewal, and expansion of the organization that handles work related to wind power generation ● Development and commercialization of next-generation high-performance ZEB and the development of energy support services ● Technological development that contributes to the industries that are expected to grow through a virtuous cycle of the economy and the environment
Response to the reduced productivity of construction worksites due to abnormal weather	<ul style="list-style-type: none"> ● Reduction of health damage through the nationwide promotion of wellness worksites and the improvement of working environment during extremely hot hours ● Consolidate some of the operations of worksites into specialized organizations such as digital product centers ● Reform the production process at worksites by developing and deploying unmanned construction technology, robot construction technology, etc.
Response to abnormal weather, increase in the severity and frequency of disasters and sea level rises	<ul style="list-style-type: none"> ● Advancement of infrastructure development technology for national resilience and the improvement of the proposing skills ● Development of real-time flood risk prediction/simulation for heavy rain, etc. ● Securing a business continuity system by building a BCP system with clients and suppliers and conducting regular training

Risk Management

- As for climate change risk, we established a company-wide TCFD Working Group (TCFD WG) to identify the climate change risk related to each department's business and analyze the degree of impact on the business. We also conduct evaluations relative to risks other than climate change risk, and confirm that the necessary measures are being taken. The risks analyzed by the TCFD WG are deliberated by the CSR Committee and reported to the Board meeting.
- In addition, it is consistent with the risks evaluated and identified with the environmental management system (EMS) based on the international standard ISO 14001.

Indicators and Targets

- In the environmental targets for fiscal 2050 "TAISEI Green Target 2050," we set the goal of "virtually zero" CO₂ emissions from business activities. Moreover, we set out "Realization of a Sustainable and Environmentally Friendly Society" as one of the materiality (our important issues), and set KPIs for fiscal 2023 using the CO₂ emission reduction rate as an index.
- We are trying to reduce CO₂ emissions by implementing key measures of the Medium-Term Business Plan (2021–2023).

CO ₂ emission reduction target for each fiscal year (compared with 1990)	FY2021	FY2023*	FY2030*	FY2050
	Environmental Targets	KPI		TAISEI Green Target 2050
At construction stage: Reduction rate of CO ₂ emissions per construction cost	36%	41%	56%	We will aim for "virtually zero" CO ₂ emissions from business activities.
At construction stage: Reduction rate of total CO ₂ emissions	52%	50%	62%	
At building operation stage: Reduction rate of estimated CO ₂ emissions	41%	43%	55%	In addition to our reduction efforts, we will work on the value chain, and contribute to the realization of a decarbonized society.

* To be reviewed during fiscal 2021

Environment topic 2

Aiming to realize a carbon-neutral society by recycling CO₂ as a resource

Carbon-Recycled Concrete, T-eConcrete®/Carbon-Recycle was Developed

Taisei Corporation has developed “T-eConcrete®/Carbon-Recycle,” a carbon-recycle concrete that can make the balance of CO₂ emissions negative. We utilize calcium carbonate produced by having CO₂ recovered from factory exhaust gas, etc. react with calcium components. We fix CO₂ inside concrete by solidifying calcium carbonate with a binder mainly composed of blast furnace slag, which is an industrial by-product. By doing so, we have been able to improve issues such as the corrosion of reinforcing rods in concrete and decrease in strength, which had been problems that arose when CO₂ was directly taken into concrete. As a result, it has become possible to take in a large amount of CO₂ and make the CO₂ balance of concrete negative.

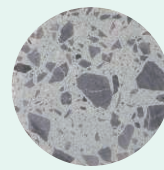
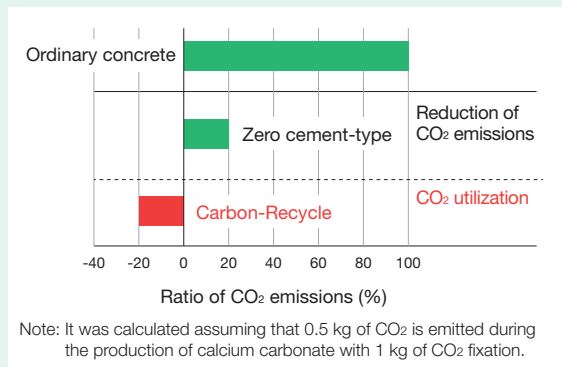
Taisei Corporation has developed a number of environmentally friendly concrete technologies, including the environmentally friendly concrete, “T-eConcrete®/Zero-Cement type,” which received the 2014 Environmental Award (Group-I) from the Japan Society of Civil Engineers, and the Engineering Commendation Award of ENAA 2021 from the Engineering Advancement Association of Japan. Our existing technologies culminated in this technology.

It is expected to become concrete that contributes to the creation of a decarbonized and recycling-based society and the realization of a carbon-neutral society by 2050.

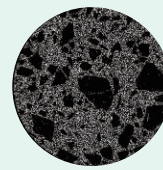
Collaboration with the Research Group

The T-eConcrete Research Group (core company: Taisei Corporation) was established in 2020 aiming to further contribute to the reduction of CO₂ emissions. Current members are seven civil engineering and building material manufacturers. We provide fundamental information such as a rich store of data and know-how on materials and construction to the member companies in charge of product development. Then, each company integrates them into the manufacturing technology of its own products. In this way, we are working on the development of various concrete products used for the interior and exterior of civil engineering structures and buildings that satisfy customers’ needs.

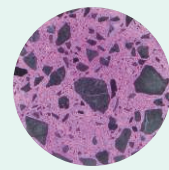
CO₂ Emission Reduction Effect of Environmentally Friendly Concrete “T-eConcrete®”



Cut section (diameter 10 cm)



Distribution of fixed CO₂ (carbon as white dots)



After pH indicator was sprayed (pink indicates strong alkalinity)



Before hardening
Slump 15 cm



Slump flow 60 cm



After hardening
Left: Calcium carbonate powder
Middle: Example of processing stone-like building materials
Right: Test sample (Compressive strength 20 to 45 N/mm²)

Feature
Article
No. 2

Taisei Corporation's Digital Transformation

In our Medium-Term Business Plan (2021–2023), we at Taisei Corporation recognize that we are heading “Towards an era where digital transformation determines competitiveness.” As one of the key issues, we set the target of “To innovate production systems, and reform workstyles through digital transformation (DX).” In this way, we are implementing company-wide DX initiatives. Since the activity satisfied the certification standards set by the Ministry of Economy, Trade and Industry, we obtained DX certification.

We will continue to working to achieve the medium- to long term vision TAISEI VISION 2030 “The Ever-Evolving CDE³ (cubed) Company: A pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives,” and accelerating activities.

DX Promotion System

- In October 2020, Taisei Corporation established a company-wide organization, the DX Promotion Committee, to accelerate digitization, and assigned the Chief Digital Officer (CDO) for the first time in the construction industry.
- The DX Promotion Committee formulates plans and follows up on the implementation status. After appointing external human resources including the IT manager of each department to the cross-departmental subcommittees established under the committee, we will make effective use of digital technology and conduct effective problem-solving in construction work.



We shall build a system to work on DX as a whole company. A subcommittee in each area will discuss the necessary issues, take countermeasures, and promote DX. Information-sharing and liaison among subcommittees shall be arranged by the secretariat.

DX Policy

- To promote DX, we have established the DX Policy. Its basic stance sets three kinds of DX as pillars, aiming to reform the production system and work styles with DX.
- With “DX of production process,” by utilizing BIM/T-CIM®, AI, IoT, robots, etc., we ensure quality and lower costs, shorten construction periods, predict hazards, and reduce environmental load to achieve a drastic improvement in productivity.
- With “DX of management infrastructure,” we build a platform that connects digital technology and data within the Company and Group companies to accelerate decision-making.
- With “DX of service solution,” we utilize facility data, etc. after completion to provide new services and expand business domains such as facility O&M*1.

1. DX for production process

- ↳ Transform production systems to dramatically improve productivity and reduce costs

2. DX for management infrastructure

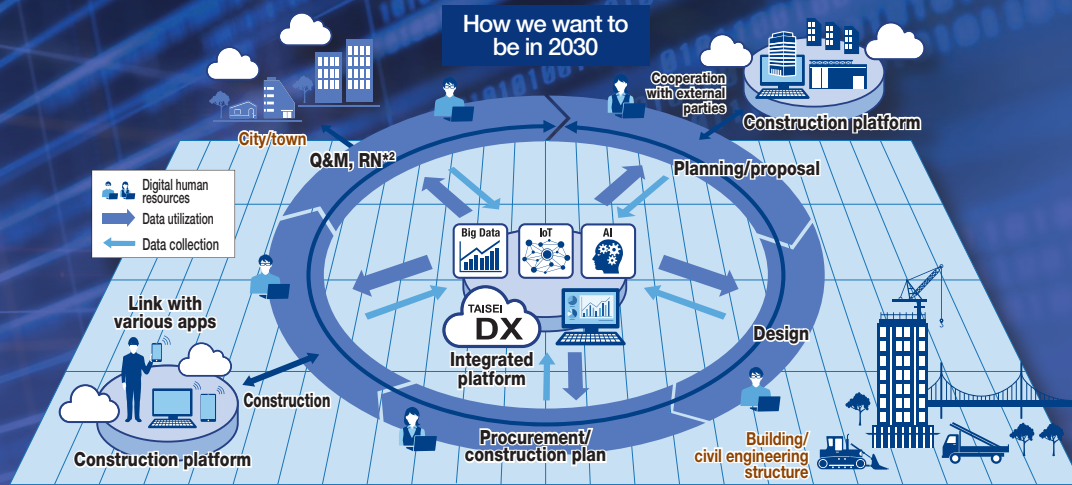
- ↳ Transform the organization, processes, and corporate culture with data-driven management and accelerate decision-making

3. DX for service solutions

- ↳ Create new service solutions and increase competitiveness in the construction business and surrounding areas

By using “information (digital technology and data utilization)” as our new management resource, we aim to improve the corporate value of the Group.

Taisei Group's construction life cycle and the future of DX



2023

In 2023, by aggregating and visualizing the data stored in our existing platforms (Worksite Net, green site^{*3}, etc.), we will build an integrated platform that allows each department and worksite to retrieve and utilize the data as needed.

2026

In 2026, starting from the integrated platform, we will promote collaboration between digital technology, data, and people involving each department, worksite, and even external parties. In addition, we will try to reform a vertically divided working culture to execute business across the construction life cycle.

2030

In 2030, we will realize high-quality and highly efficient construction by strengthening and expanding internal and external connections. At the same time, we will aim to create new value that contributes to and drives the entire construction industry, such as the operation of a smart city business at the city/town level.

DX of production process + DX of management infrastructure

On-site management system that utilizes video and IoT data, "T-i Digital Field," was developed

We developed an on-site management system, T-i Digital Field, that visualizes the completion status of a construction site using images and data obtained with cameras and IoT devices connected to a network. It enables real-time information-sharing among the people concerned with the construction who are at remote locations.

DX of production process + DX of management infrastructure

Remote patrol system for construction sites using a quadruped walking robot, "T-iRemote Inspection," was developed

With TechShare Inc., we have developed T-iRemote Inspection, a system that allows you to remotely check the quality and safety at construction sites. It has become possible to improve the efficiency of on-site management.

DX of Service solution + DX of management infrastructure

Started collaboration to transform facility operation and maintenance business utilizing AI/IoT

We started collaboration with Microsoft Japan Company, Limited to transform the facility operation and maintenance business utilizing AI/IoT (preservation of properties' value, maximization of user satisfaction and improvement of the efficiency of building operation and management business). It allows us to visualize the soundness of a building immediately after an earthquake and the work status of employees at a production facility.

*1 O&M: Operation & maintenance (with DX, we shall effectively utilize digital technology including the IoT)
 *2 RN: Renewal work
 *3 A system to standardize worksite operations and promote collaboration among the people concerned by utilizing IT and providing a condition where "If I access the portal, I can process work for the construction site."

Feature
Article
No. 3

To Build a Steady Course for Enhancing Corporate Value Based on the Future Vision

At the Taisei Group, we have repeatedly discussed what we could and should do for the world envisioned under the “SDGs—Sustainable Development Goals” over the past year and reviewed the eight items of materiality (important issues to be dealt with) (see pp.30–32).

In this round-table talk by External Members of the Board, discussions are held on how we should face the materiality, the common goals of the Taisei Group, and contribute to achieving social challenges including SDGs together with various stakeholders, the evaluation of initiatives taken by the Taisei Group, and future issues and expectations. Through these discussions, we explore the future vision of the Taisei Group for sustainably enhancing corporate value.



External Member of the Board **Fumiya KOKUBU**

Profile

1975 Joined Marubeni Corporation
2005 Executive Officer
2008 Managing Executive Officer
2008 Managing Executive Officer, Representative Director
2010 Senior Managing Executive Officer
2012 Executive Vice President
2012 Executive Vice President, Representative Director
2013 President and Chief Executive Officer, Representative Director
2019 Chairman, Member of the Board (current position)
2019 External Member of the Board of Taisei Corporation (current position)

Concurrent positions

Chairman of the Board of Marubeni Corporation
Outside Director of Honda Motor Co., Ltd.

Reason for appointment

Broad insight and an international perspective as the top management of a general trading company



Materiality of the Taisei Group
pp.30–32

External Member of the Board **Takao MURAKAMI**

Profile

1969 Joined Sapporo Breweries Limited (Present: Sapporo Holdings Limited)
1999 Executive Officer
2001 Managing Executive Officer
2003 Member of the Board; Senior Managing Executive Officer of Sapporo Breweries Limited (new company)
2004 Managing Executive Officer, Member of the Board of Sapporo Holdings Limited
2005 President and Chief Executive Officer, Representative Director, Group CEO
2011 Chairman of the Board, Representative Director
2018 Honorary Counsellor of Sapporo Holdings Limited (current position)
2019 External Member of the Board of Taisei Corporation (current position)

Concurrent positions

External Member of the Board of Television Hokkaido Broadcasting Co., Ltd.
External Auditor of FUJIO FOOD GROUP INC.

Reason for appointment

Rich experience in managing multiple companies

Materiality Initiatives and Taisei Group's Future Vision

KOKUBU: Countries around the world, including Japan, are striving, almost as if in a competition, to realize carbon neutrality by 2050. This is inevitable to realize a sustainable society. While the effort towards its realization involves costs, it also offers opportunities from a medium- to long-term perspective. My expectations for the Taisei Group are that the Group clearly sets out the initiatives it can carry out precisely because of its capabilities. The Group sets **“Technical development for realizing a sustainable society”** and **“Realization of a sustainable and environmentally friendly society”** in its materiality. These are exactly the issues that are directly linked to

corporate value. In this sense, I believe that the product such as carbon recycle concrete announced by the Company is timely and excellent ideas. I would like the Company to play its role as a leader in the construction industry by implementing such technical development with foresight.

NISHIMURA: The Taisei Group, in TAISEI VISION 2030 (see pp.14–18), set out the medium- to long-term vision towards 2030, which is the year of the goal for achieving SDGs. In the vision, with the aim of becoming the front-runner in the environmental sector, the Group sets the acceleration of its initiatives towards carbon neutrality while promoting technical development for solving social issues as a key policy and has identified **“Realization of a sustainable and environmentally friendly society”** as a materiality. Since there is always



External Member of the Board **Atsuko NISHIMURA**

Profile

- 1979 Joined the Ministry of Foreign Affairs of Japan
- 1999 Minister/Counsellor of Permanent Mission of Japan to the United Nations
- 2001 Minister of Embassy of Japan in Belgium
- 2004 Professor of Tohoku University Graduate School of Law
- 2008 Administrative Vice President of the Japan Foundation
- 2012 Adviser of Japan Oil, Gas and Metals National Corporation
- 2014 Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg
- 2016 Ambassador Extraordinary and Plenipotentiary for Women, Human Rights and Humanitarian Affairs
- 2017 External Member of the Board of Taisei Corporation (current position)

Concurrent positions

Outside Director of INPEX CORPORATION

Reason for appointment

A broad range of insights, international sense, and objective point of view based on many years' experience as a diplomat

External Member of the Board **Norio OTSUKA**

Profile

- 1973 Joined NSK Ltd.
- 2000 Executive Officer
- 2002 Managing Executive Officer, Member of the Board
- 2004 Senior Managing Executive Officer, Member of the Board
- 2007 Executive Vice President, Representative Director
- 2009 President and Chief Executive Officer, Representative Director
- 2015 Chairman, Member of the Board
- 2018 Advisor of NSK Ltd. (current position)
- 2019 External Member of the Board of Taisei Corporation (current position)

Concurrent positions

Outside Director of Sojitz Corporation

Reason for appointment

Rich experience in managing multiple companies



a concern that construction work might affect the natural environment, I expect the Group will play an innovative role in implementing environmental initiatives that are important issues for all human society by using the Group's technological, organizational and on-site capabilities. Such capabilities are symbolized in the Group's efforts in completing the new National Stadium, which impressed the world with its design exhibiting a remarkable harmony with nature.

MURAKAMI: Looking from the aspect of technical development, “**Ensuring quality and improving technology**” is also an important point. Providing high-quality, high-value-added buildings and infrastructure by leveraging various technologies represented by TAISEI-i-Innovation leads the Taisei Group to achieve competitive superiority. I also view that such technical development and penetration of new technologies will serve as the largest means of social contribution for the Group. In other words, they will lead to “sustainable cities and communities” as set out in the SDGs. I would certainly like the Taisei Group to more actively voice the need for a construction industry that can continue to generate innovation and to keep taking on challenges towards achieving new innovation from a long-term perspective rather than a short-term one.

KOKUBU: The construction industry is a typical industry that is driven by orders received and cannot go on without the orders by clients. It is an important mission to give form to the needs and wishes of clients. But I believe it is also crucial that we utilize new technologies, think about making our society a more comfortable place to live in by giving considerations to such factors as “zero emissions,” “zero-energy,” and “establishment of infrastructure with resilience to serious disasters,” discuss the social value we want to strive for, actively make proposals and send out such information.

NISHIMURA: It is almost astonishing how workstyles are becoming more diverse with the progress of digitalization and the expansion of business models beyond the boundaries of fields due to the COVID-19 pandemic. It is under such drastically changing times that the Taisei Group has set out its medium- to

long-term vision to continue evolving. One key to achieving its vision is the “**Realization of an attractive working environment that is good to work in.**” I have observed the Company's worksites and realized how diverse human resources, including women, are fully demonstrating their abilities. I have high recognition for the initiatives being taken by the Company with strong awareness of issues, such as diversity & inclusion, the creative ideas to develop worker-friendly environment as seen at wellness worksites and the efforts towards DX at worksites.

OTSUKA: Coming from a manufacturing industry, I am paying attention to “**Thorough management of occupational health and safety.**” While the Company has an occupational health and safety system in place, it is very unfortunate that there continue to be cases where skilled construction workers of the supply chain who take on tasks at worksites are involved in accidents. The Taisei Group is expected to ensure safety and quality including the supply chain as cooperating companies.



MURAKAMI: I also recognize that “**Thorough management of occupational health and safety**” is the Group's key issue. I had experiences in my former position where accidents could not be prevented even though education on safety was thoroughly implemented. Industrial accidents cause material losses to both families and the company. In connection with “**Promotion of supply chain management**” and “**Cultivation of technical staff and securing human resources,**” it is important to “build human resources” of all the skilled workers engaging in construction work in order for the Taisei Group to continue achieving sustainable growth going forward. I look forward to seeing mechanisms and management styles that ensure quality and safety management integrating those of the supply chains. The Construction Career Up System (“CCUS”) (see p.57) is a system that leads to appropriately evaluating skilled workers and improving their treatment, and I recognize that the Group is actively taking initiatives in this regard.



OTSUKA: The materiality stating “**Thorough compliance and restructuring of group governance system**” presumably refers to governance in relation to each Group company. I view that regardless of the existence of a capital relationship, skilled workers and all other stakeholders working together are also included here, so the Company’s concepts and methodologies may not be always suitable to them and it making this materiality a very challenging. However, it is essential to carry out proper governance in order to protect the interests of stakeholders and to effectively disseminate the Company’s commitment both internally and externally. While the President sends message on safety and quality every month, it is important that all employees of the Group continue to demonstrate that the message is actually put into practice on their day-to-day work at the worksites. I believe that steadily repeating and continuing this effort will contribute to having skilled construction workers and cooperating companies deepen their understanding and eliminating industrial accidents and quality defects.

Future Expectations for the Taisei Group

NISHIMURA: In the recent process of formulating the Medium-Term Business Plan, I have witnessed before my eyes the strong motivation of the Taisei Group to develop the Company into the future. It strives to overcome the social conditions that are changing at an accelerated pace amid the difficulties of the COVID-19 pandemic and increasing severity in the competitive environment. To date, the Company has been operating in an extremely important field that serves as the foundation of people’s living and society. As greater focus is placed on conservation of the natural environment and sustainability, I feel that the role of the Taisei Group, which sets out an ambitious Group Philosophy—“To create a vibrant environment for all members of society”—is becoming increasingly important.

MURAKAMI: The current Medium-Term Business Plan sets out ambitious targets, including initiatives towards realizing carbon neutrality and holding the sources of renewable energy, and these were not conventionally addressed by the Group. I would like to build a new history towards the future by demonstrating flexible ideas without being confined to the Company’s common sense that has been nurtured over many years and taking on challenges from scratch. I view that it is the role of the External Members of the Board to supervise business execution from such a perspective.

OTSUKA: The Medium-Term Business Plan was formulated based on numerous constructive discussions held by the Management Committee and the Board, and I think that the vision that the Taisei Group should aim for in the future has become clear. I would like the Group to also pursue an ideal future vision furthermore. Given the market structure unique to the construction industry, the market share among the five major construction companies in Japan is not relatively high. This means that there is still room for growth in the Japanese market as well as in the overseas markets. Expansion of scale is not the most important goal, and there may be difficulties in maintaining a good balance between scale and the current high profitability. But I feel that it is possible given the technological capabilities and human resources of the Taisei Group.

KOKUBU: As represented by the word, “*Sampouyoshi* (good for three parties: the seller, the buyer and society),” I think that in one sense, building a sustainable society is a field where Japan is strong. The Taisei Group’s roughly 150-year history since its foundation in 1873, during which time the Group has continued to be a leading player in the industry, is indeed an easy-to-understand image of what sustainability is. With solid financial conditions, excellent human resources and innovative technological capabilities at the basis of its history, the Group already has an adequate foundation in place for resolving social issues. Since the Group has clearly outlined the roadmap necessary for creating a livable society and a bright future, all that is left is the execution. In this sense, I would like all stakeholders to look forward to the future of the Taisei Group.



Materiality ①

Realization of a Sustainable and Environmentally Friendly Society

Policy and Management

Based on the Group Philosophy “To Create a Vibrant Environment for All Members of Society,” the Taisei Group has set forth in its Environmental Policy and Environmental Targets, the formation of high-quality social capital through corporate activities centered on the construction business in harmony with nature, aiming for the “Realization of a Sustainable and Environmentally Friendly Society.” The Group also supports and respects the United Nations Global Compact and other internationally agreed initiatives on the environment, and is proceeding with efforts in collaboration with various stakeholders.

The construction industry, which is involved in the formation of social capital, is built on the burden on the environment. On the other hand, environmental problems are becoming more and more serious on a global scale, and long-term countermeasures are required. In response to these circumstances, in 2018

we revised our 2050 Environmental Targets (TAISEI Green Target 2050), and set the 2050 Targets for the realization of four societies: a decarbonized society, a recycling oriented society, a nature co-existing society, and a safety secured society. We also agreed with TCFD (pp.37–39) in 2020, and, following the Japanese government’s decarbonization declaration, partially revised the TAISEI Green Target 2050 and decided to aim for virtually zero CO₂ emissions from business activities by 2050 to realize a decarbonized society.

Going forward, the Taisei Group members will work as one to continue contributing to the realization of a Sustainable and Environmentally Friendly Society (decarbonized society, recycling oriented society, nature co-existing society, safety secured society) based on our 2050 Environmental Targets (TAISEI Green Target 2050).

Correlation between TAISEI Green Target 2050 and TAISEI Sustainable Action



KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts	
<ul style="list-style-type: none"> Deterioration of creditworthiness and loss of opportunities to receive orders due to violation of environmental laws and regulations or environmental accidents. Increased costs due to construction suspensions or delays resulting from shortages of raw materials or electricity, including climate change. 		<ul style="list-style-type: none"> Increased opportunities to receive orders due to development and practical application of environmental technologies. Market expansion due to the reinforcement of infrastructure to address climate change. 	

KPIs	Scope of report	FY2023 targets		Responsible department
		Target	Value	
At construction stage: Reduction rate of CO ₂ emissions per construction cost (intensity)*	Non-consolidated	41%	Environment Division	
At construction stage: Reduction rate of total CO ₂ emissions*		50%		
At building operation stage: Reduction rate of estimated CO ₂ emissions*		43%		

* Compared to fiscal 1990 (a base year for emissions targets). The Group’s targets are to be established by the end of fiscal 2021.

■ Environmental Management System (EMS)

Taisei Corporation operates an environmental management system based on ISO 14001 (hereinafter EMS) on a company-wide basis, and has established the Environment Committee chaired by the President and administered by the Chief of Environment Division.

The Environment Committee mainly deliberates on important environment-related initiatives for environmental management that lead to the Environmental Policy, Environmental Targets, and external evaluations, and makes reports to the Management Committee. Matters such as Environmental Policy are deliberated in the Management Committee before being presented to the Board, where they are deliberated and decided.

Every division and branch has an EMS secretariat that operates under the Environment Committee, and the environmental staff of each department facilitates and monitors environmental activities, and reflects the results in annual Environmental Targets.

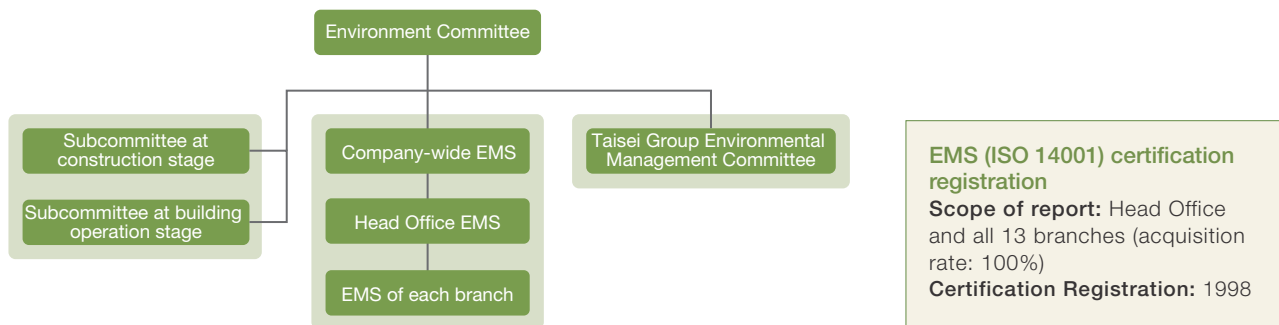
In January 2021, we established the subcommittee at construction stage to promote CO₂ reduction in worksites, the

subcommittee at building operation stage to promote decarbonization technologies and services, and the Taisei Group Environmental Management Committee to establish Group targets and manage progress. In this way, we are developing our response to the issues in a way that transcends the boundaries of departments and Group companies.

Also in May 2021, we further strengthened our structure to work on decarbonization by newly establishing the Carbon Neutral Promotion Department in the Environment Division, with the objective of promoting and supporting the efforts of Taisei Corporation and our customers to achieve carbon neutrality by 2050.

Apart from the EMS and Environment Division organizations, we are also promoting efforts to resolve environmental issues by establishing organizations such as the CSR Committee, Central Safety Committee, and the Energy-Saving Promotion Council which is for appropriately responding to the Act on the Rational Use of Energy (Energy Conservation Act).

Organization Chart



■ TAISEI Sustainable Action (TSA), an Initiative to Reduce Environmental Impact

To achieve its Environmental Targets, Taisei Corporation is implementing TAISEI Sustainable Action (TSA), an environmental impact-reduction initiative in which all employees participate. We think it is particularly important for many parties involved in construction work, which represents a large part of the CO₂ emissions from business activities, to be aware of the importance of reducing environmental impact. Therefore, in addition to the CO₂ Zero Action, which is our basic initiative that has been conducted at all worksites so far, each worksite is implementing measures based on the TSA Action List in which effective specific technologies and activities are presented.

In 2020, we developed and adopted the TSA Points System to evaluate each worksite's initiatives to reduce environmental impact by points. This system evaluates by

points initiatives at worksites leading to the reduction of environmental impact, such as the use of fuel-efficient heavy machinery, training seminars on fuel-efficient driving, use of LED lighting, and use of energy-saving copiers and air conditioners, and visualizes the impact of the initiatives of individual worksites. We will bring about a change in employees' awareness and behavior by visualizing and quantitatively evaluating the impact of initiatives, in order to further promote TSA initiatives.

In addition, we have established an award system for activities aimed at achieving the Environmental Targets. Through this system we evaluate activities to reduce the environmental impact that serves as a model for other divisions, and we work to raise employees' environmental awareness.

Materiality ① Realization of a Sustainable and Environmentally Friendly Society

For Realization of Decarbonized Society

Policy and Management

Taisei Corporation has set the achievement of virtually zero CO₂ emissions from business activities as one of the 2050 Targets in its 2050 Environmental Targets, TAISEI Green Target 2050, aiming to reduce CO₂ emissions and contribute to the realization of a decarbonized society.

Our two targets for 2030, which are the benchmarks of the TAISEI Green Target 2050, have been certified by the **SBT initiative**: one is the 62% (vs. fiscal 1990) CO₂ emissions reduction target at the construction stage, and the other is the 55% (vs. fiscal 1990) CO₂ emissions reduction target at the building operation stage.

To achieve the CO₂ reduction target at the construction stage, we are promoting initiatives to reduce the environmental impact (TSA) in which all employees participate, as well as initiatives such as cooperating with specialized contractors (suppliers) and encouraging them to conduct conservation activities during construction and use heavy machinery and vehicles with high energy efficiency.

In addition, we have been working to use ZEB as a temporary worksite office that had not been considered as a target of energy conservation/CO₂ reduction initiatives due to its short usage period. In 2020 we obtained ZEB Ready certification for the first time in Japan for a temporary worksite office, and due to this initiative were awarded the Special Award from the Judging Committee in the Energy Conservation Grand Prize program of the Energy Conservation Center, Japan (ECCJ).

For achieving the CO₂ reduction target at the building operation stage (for use by customers), we are promoting the provision of advanced energy conservation and ZEB technologies and accumulating construction results, while working with customers and other various stakeholders in the value chain.

At the Taisei Group, we are implementing initiatives to reduce CO₂ emissions at each phase of the value chain from the planning/design stage considering the lifecycle of the building, through the construction stage including new building construction, renewal and demolition, to the operation stage after completion and delivery to the customer, for the realization of a decarbonized society.

Risks and Opportunities

For the construction industry, rising temperatures in recent years, large-scale typhoons, and disasters caused by extremely concentrated heavy rain pose risk factors such as interruptions and delays in construction work. On the other hand, increased demand for net zero energy buildings (ZEBs), which is a measure to mitigate climate change, will lead to the creation of opportunities for orders.

Taisei Corporation supports the Challenge Zero project of Keidanren (Japan Business Federation). In the field of renewable energy, it is working on ZEB and began technological development for floating offshore wind power generation facilities. In addition, we consider the green infrastructure promoted by the Ministry of Land, Infrastructure, Transport and Tourism as a means of mitigating and adapting to climate change as one of the opportunities to receive orders through our market expansion aimed at strengthening infrastructure, and we are promoting relevant technological development and design proposals.

2030 Targets Certified by the SBT initiative

By 2030, reduce the Scope 1 and Scope 2 greenhouse gas emissions by 26% from fiscal 2013 levels (62% reduction from fiscal 1990 levels), and the Scope 3 emissions by 25% from fiscal 2013 levels (55% reduction from fiscal 1990 levels)

- Scope 1: Direct emissions associated with fuel use for heavy machinery and vehicles at construction worksites
- Scope 2: Indirect greenhouse gas emissions associated with electricity use at construction worksites
- Scope 3: Indirect emissions associated with energy use during the operational phase of the building delivered

Acquired ZEB Ready Certification for the New Itami City Hall and Its Temporary Worksite Office, the First of Its Kind in Japan

The construction of the new city hall building has been planned aiming for an environmentally friendly city hall under the concept of “a city hall that is full of dreams and attractiveness and supports a safe and secure life of residents.”

Kengo Kuma & Associates, the architect office that was in charge of the basic design, set a design concept of “achieving ZEB Ready certification as a large-scale city hall building over 20,000 m² while overcoming various challenges that the reconstruction project faces, such as reconstructing the city hall utilizing the existing building, conceiving a design in consideration of regional development and scenery, BCP, and seismic isolation.” Taisei Corporation received the order for this project in a design-build (DB) method, taking charge of execution design through construction.

In addition to its being planned as a highly heat-insulated and well-sealed building capable of natural lighting and ventilation, the city hall also generates power as it equipped with a photovoltaic facility with a storage battery for disasters, achieving a 54% reduction in energy consumption in total. Thanks to the above measures, this project was adopted as one of the “resilience-enhancement type ZEB demonstration projects” of the Ministry of the Environment.

Meanwhile, in line with the environmentally friendly concept of the new city hall, we also worked on reducing CO₂ emissions during construction. The temporary worksite office in construction work adopted versatile energy-saving technologies, such as a high-efficiency air conditioning system, LED lighting, and heat pump water heater. These technologies, in addition to an improved heat insulation capacity, contributed to the 54% reduction in primary energy consumption compared to a standard building.

Due to these measures, for the first time in Japan, not only the permanent city hall building but also the temporary worksite office obtained ZEB Ready certification.



The new city hall obtained ZEB Ready certification under BELS



New Itami City Hall



The temporary worksite office obtained ZEB Ready certification under BELS

Materiality ① Realization of a Sustainable and Environmentally Friendly Society

For Realization of a Recycling Oriented Society

Policy and Management

The Taisei Group has set forth “Promoting environmental conservation and creation” in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and clearly stated that it endeavors to reduce environmental impact through the implementation of energy-saving measures and the “3R” policy (reduce, reuse and recycle) and propose technologies and ideas that will facilitate the creation of new environments.

As one of the 2050 Targets, Taisei Corporation has committed to achieve the “final disposal rate of consumption byproducts of 0%” in its 2050 Environmental Targets, TAISEI Green Target 2050. To achieve this target, we aim to reduce the final disposal rate to 3.0% or less by 2030. We ensure thorough compliance with laws and regulations of countries where we operate, and work on setting requirements higher than legally mandated. Based on the understanding that reducing pollutant and waste emissions is a corporate social responsibility, we are aiming to achieve the 0% final disposal rate of construction byproducts from our construction business, through reducing and recycling such byproducts, promoting green procurement, and extending the life of buildings.

Risks and Opportunities

There is a growing need to promote sustainable procurement throughout the supply chain, such as resource conservation, use of materials that can be recycled and reused, and measures to deal with the problem of disposable plastics and other natural environmental pollution caused by waste.

At Taisei Corporation, we are working on waste management and the recycling of resources at worksites, adopting materials and equipment that take into account green procurement and the lifecycle from the design stage, and providing technologies to extend the life of buildings.

Recycling of Waste Plastics

Construction materials, packaging materials, and other waste plastics are sorted thoroughly and properly recycled by specialized disposal companies. In addition, we are implementing measures to utilize waste plastic by combining it with waste wood products and creating artificial recycled wood products.

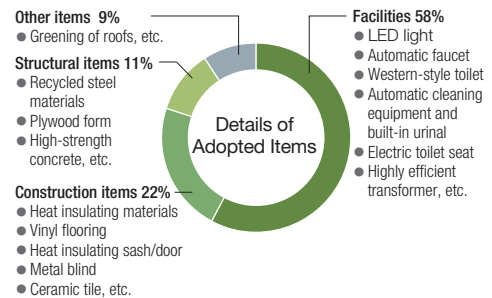
Taisei Corporation supports and promotes the **Plastics Smart Campaign** by the Ministry of the Environment.

Utilizing the Green Procurement Guideline in Cooperation with Suppliers

In 2001, Taisei Corporation established and put into effect the Taisei Corporation Green Procurement Guideline to promote the use of materials, equipment and building methods that have a small environmental impact during the design, construction, operation and demolition of structures. We also conduct target management on green procurement items, and the number of items adopted in fiscal 2020 was 11.7 items. (See p.113)

By referring to and reflecting the content of the Green Purchase Law (Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities), we review the subject items every year. In fiscal 2020, 94 items were included in the guideline. Company-wide application of the guideline means we can not only recycle resources but also save energy, reduce CO₂ emissions, save resources, avoid use of toxic substances and preserve the natural environment.

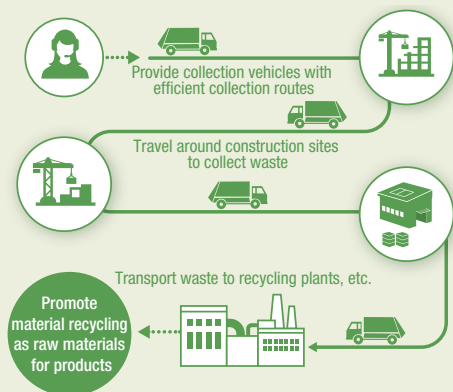
Adoption of Green Procurement Item (Construction design phase: non-consolidated)



Award

The “Program for the Promotion of Resource Recycling of Building Materials through More Advanced Collection Patrol Systems” Received the Ministry of Economy, Trade and Industry’s Industrial Technology and Environment Bureau Director’s Award

We operate a “collection patrol system” for many types of waste, including waste plastics at our construction sites in Tokyo. We received the Ministry of Economy, Trade and Industry’s Industrial Technology and Environment Bureau Director’s Award in the 2020 Resource Recycling Technology and System Awards for a joint initiative for resource recycling of building materials between Taisei Corporation and our consolidated subsidiary and logistics operator Network Alliance Corporation. We are working to recycle soil from construction sites within and across worksites, and contributing to waste reduction and effective resource use of the industry as a whole.



The flow of waste collection

Materiality ① Realization of a Sustainable and Environmentally Friendly Society

For Realization of a Nature Co-Existing Society

Policy and Management

The Taisei Group has set forth “Promoting environmental conservation and creation” in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and clearly stated that it recognizes the importance of environmental issues and actively works to promote environmental conservation and creation with a view to realizing harmonious coexistence between nature and human beings.

As one of the 2050 Targets, Taisei Corporation has committed to “minimizing impact on natural capital” in its 2050 Environmental Targets “TAISEI Green Target 2050.” To achieve this target, we set the goal of implementing 35 or more proposals that take biodiversity into consideration, using such means as our unique biodiversity evaluation tools, the **Concierge Series**.

We identify risks at the construction planning stage and, through the cooperation of related internal departments including the design division, construction/civil engineering work division and the Taisei Advanced Center of Technology, use the various technologies owned by the Taisei Group to minimize the adverse impacts on biodiversity of the local area. In order to clarify its corporate stance on the conservation and creation of biodiversity, Taisei Corporation has agreed to the Declaration of Biodiversity by Keidanren, and formulated the Declaration of Taisei Corporation on Biodiversity Preservation in 2010. Since 2020, we have been supporting Declaration of Biodiversity by Keidanren and Action Policy (revised edition).

Risks and Opportunities

There is concern that construction work will always have a significant impact on the surrounding environment, including nature.

At the planning stage, we identify risks, including violations of environmental laws and regulations, and opportunities to create added value. From the design and construction stage to the operation and management support after completion, we provide our customers with solutions that help create a rich environment while giving consideration to biodiversity.

We will contribute to the realization of a society in harmony with nature by appropriately evaluating the value of natural capital, utilizing it for infrastructure development and building planning, and minimizing the impact of construction work.

Biodiversity-Conscious Investigation, Planning, Construction and Monitoring

Taisei Corporation has adopted mechanisms for identifying risks in the construction planning stages and following up on them throughout the entire process from construction to completion. If emphasis on consideration of the ecosystem is confirmed in a project, we employ Ecological Planning, our proprietary environmental planning tactics, and, based on research and analysis, propose plans that contribute to harmonious coexistence with nature to the customer. In this way, we are engaged in appropriate conservation and regeneration of the natural environment.

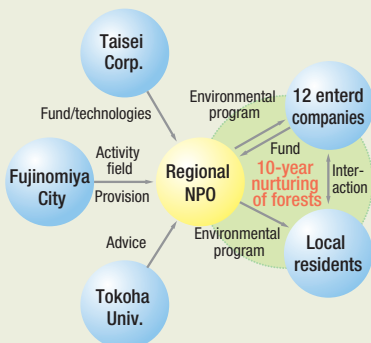
With Ecological Planning, which equates to a **biodiversity action plan (BAP)** under the Convention on Biological Diversity, we employ various technologies we own to investigate and analyze not only the planned sites but also the surrounding environment, and plan and execute construction

that takes regional characteristics into account, thus creating quality social capital. Upon completion of the project, we conduct monitoring and feed back the outcomes in order to strengthen our technologies.

We have also designed our unique biodiversity evaluation tools, the Concierge Series. They allow anyone to easily understand and share information on the environment of the planned sites, and enable appropriate preservation and creation of a natural environment. In 2020, we newly designed Mizube Concierge® as the third of the series after Ikimono Concierge® and Mori Concierge®. Applying this to projects that require conservation of rare flora and fauna, we strive to contribute to the realization of a society that co-exists with nature.

Award

Initiatives for Nature in Fujisan Nanryo Industrial Park Received the Environmental Award of the Japan Society of Civil Engineers and ENAA’s Engineering Commendation Award



Under the theme of “a manufacturing base where greenery, people and production come together,” Taisei Corporation is carrying out the Fujisan Nanryo Industrial Park (Eco-Factory Mt. Fuji) development project in Fujinomiya City located at the south foot of Mt. Fuji.

Developing the Fujisan Nanryo no Mori FSPJ scheme, a sustainable action to nurture forests in collaboration of industry, government, academia, and local people, we have supported nurturing forests for more than ten years from completion of construction. This is a pioneering initiative to balance economic activity and harmonious coexistence with nature in that it adopts forest nurturing methodology from a medium- to long-term perspective and business model with forest as its theme. We intend to utilize and deploy this as a tool to realize a nature co-existing society. This initiative was praised externally, and received the 2020 Environmental Award of the Japan Society of Civil Engineers (Group-2) and the 2020 Engineering Commendation Award of ENAA (Environmental Contribution).



Fujisan Nanryo Industrial Park Development Project

Materiality ① Realization of a Sustainable and Environmentally Friendly Society

For Realization of a Safety Secured Society

Policy and Management

The Taisei Group has stipulated “Communication with local communities” in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and clearly stated that it endeavors, in executing its duties, to prevent the generation of environmental effects such as noise, vibration, and odor, and to protect the living environment of local residents and neighboring areas.

Taisei Corporation has committed to “aim to provide value with zero environmental risk” in order “to realize a society where safety is ensured” as one of the 2050 Targets in its 2050 Environmental Targets, TAISEI Green Target 2050. To achieve this target, we will work to continue having “zero environmental accidents by properly managing construction byproducts and complying with environmental laws and regulations” by 2030.

To achieve these medium- to long-term targets, Taisei Corporation has set specific, quantitative annual targets and KPIs, and is making efforts while checking their progress. In addition, we are making efforts to reduce the impact of construction work on the environment, and aiming to continue having zero environmental accidents while setting the management of toxic substances and polluted water (prevention of water pollution caused by construction wastewater, etc.) as a management priority.

Risks and Opportunities

Environment pollution caused by construction has a significant impact on the surroundings and society. Compliance with environmental laws and regulations is always one of the most important environmental issues. We keep contributing to the reduction of environmental risks during construction by promoting the proper management of construction waste, the development and application of new technologies to cope with the regulations for soil pollution and the promotion of methods that reduce the burden on the surrounding environment.

Risk Measures at Worksite

With a “worksite environment patrol,” the Environment Department of the Head Office and branches conduct an internal audit to check the observance of the environment law at worksites. As for the findings, we establish corrective and preventative measures for continuous improvement.

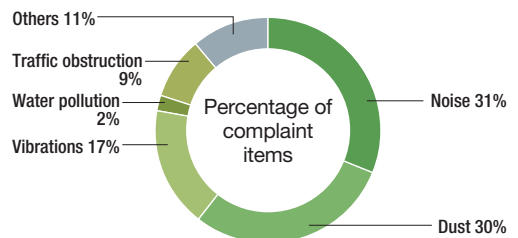
At a worksite, based on the Environment Management manual, we provide environmental education to our employees and specialized contractors. By sharing the cases that could result in an environmental accident, issuing notifications of the proper management of toxic substances such as asbestos and PCB, and reinforcing adequate control and treatment of polluted soil, we have been raising awareness of the importance of environment management and the prevention of environment-related accidents. Regarding the management of water resources, Taisei Corporation is working to “prevent water pollution caused by construction wastewater, and the like” as a management priority. In fiscal 2020, there were no violations of environmental laws and regulations caused by construction wastewater.

Type	Action (Example)
Noise	Conducted early communication with neighbors in response to complaints about nighttime concrete-related work.
Water pollution	Recovered fuel leakage from a crane vessel with an adsorption mat and implemented measures to prevent a recurrence.
Vibrations	Changed to work during a factory holiday in response to complaints about heavy machinery work in the factory.
Dust	Implemented measures such as spraying water and installing sheets in response to complaints about dust from construction work.

Complaint to Worksites and Handling Thereof

We take proper measures regarding environment-related complaints addressed to a workplace, make a record and report using a communication sheet based on an environment management system (EMS) procedure and share the information horizontally among concerned departments or within the entire Company as required. In addition, we are properly handling comments given by citizen groups.

Percentage by Complaint Item



Materiality ②

Ensuring Quality and Improving Technology

Policy and Management

In light of the Taisei Group's mission to provide customers and society with quality construction products and related services efficiently and continuously, the Taisei Group sets forth "Pursuing customer satisfaction" and "Ensuring and improving safety and quality" as Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. Under the Medium-Term Business Plan, the Taisei Group has set "To innovate the production systems, and reforming the workstyles through digital transformation (DX)" as one of the priority issues related to sustainability. We are working to improve productivity through partial optimization of each process in the construction life cycle and the introduction of digital technology.

Furthermore, Taisei Corporation promotes efficient production activity in line with its Quality Policy along with Individual

Policies established for each division (Building Construction Division, Civil Engineering Division, Design Division, Engineering Division, and Nuclear Facilities Division). Under the slogan **TAISEI QUALITY®**, the Group as a whole strives to provide customers with safe and secure construction products and aftersales service under a quality control system. Each of the divisions and the Group companies has obtained ISO 9001 and implements certified quality management. The Civil Engineering Division and Building Construction Division have prepared their own manuals and action guidelines, conduct customer satisfaction surveys after delivery, and work closely with related divisions to ensure proper quality control and eliminate defects caused by quality.

 [Action Guidelines for Taisei Personnel and the Taisei Group as a Whole / Quality Policy](https://www.taisei.co.jp/english/profile/philosophy/)
https://www.taisei.co.jp/english/profile/philosophy/

Customer Satisfaction

Building Construction Division

In the Building Construction Division, each branch conducts a questionnaire survey on customer satisfaction. The survey questions are on a five-point scale, and include those on workmanship, usability, and worksite office management during construction. If there are any low scoring items, we analyze their causes, establish countermeasures and reflect them in post-construction review meetings and other opportunities for better understanding. In this way, we aim for greater customer satisfaction.

Productivity Improvement Initiatives

Taisei Corporation utilizes **T-CIM®** and **BIM** to manage the information obtained through planning, design, construction and operation. We also established the DX Promotion Committee in fiscal 2020, and build a structure to work on DX on a company-wide basis. We provide the best service and

Civil Engineering Division

The Civil Engineering Division sets customers' evaluation scores on the construction work as an indicator of customer satisfaction. Adding to that, the division conducts customer satisfaction interviews.

Each branch reflects the research results in the post-construction review for further improvement. Going forward, the Head Office and branches will continue working as one for better customer satisfaction.

solution to each customer, while reviewing our business processes by visualizing performance with productivity per person (sales/number of employees) as an indicator to raise each employee's awareness on productivity. In this way, we are working together as one group to improve productivity.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts		
● Interruption or suspension of business and loss of opportunities to receive orders due to the occurrence of quality defects.		● Continuous order received by building relationships of trust with customers.		
		Scope of report	FY2023 targets	Responsible department
KPIs	Customer Satisfaction (Building Construction)	Non-consolidated	100%	Building Construction Division
	Customer Satisfaction (Civil Engineering)		100%	Civil Engineering Division
	Productivity (Net sales/number of employees)	Taisei Group	¥83 million	Corporate Planning Department

Materiality ③

Technical Development for Realizing a Sustainable Society

Policy and Management

The Group’s source of Value Creation is technology and, therefore, the Group’s business is founded on research and development and intellectual property activities. The Taisei Group has committed, in the section “Striving to create value” of the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, that the “Taisei Group and Taisei Personnel shall deploy all the technology and know-how at their disposal, and shall continue to strive to create new value through technological innovation and ingenuity,” and “shall strive to further improve their knowledge and abilities.” At the Group, we have also stipulated that we “promote technological development to solve environmental and social issues through **open innovation**” as a key issue in the Medium-Term Business Plan. Our research and development is focused on themes selected in terms of contributions to SDGs, under the leadership of the

Technology Committee chaired by the President, and we are developing technologies centering on industrial sectors with growth potential such as offshore wind power, logistics, people flow, civil engineering infrastructure, and carbon recycling.

Meanwhile, in order to further improve the intellectual property capabilities of all of our group businesses, the Group has included “management of information and intellectual property rights” in the section “Fulfilling social responsibilities” of the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and also established the Taisei Group Policy on Intellectual Property. We are steadily promoting intellectual property strategies by creating, protecting and utilizing intellectual property, reducing the risks associated with intellectual property, and taking advantage of our brand.

 [Action Guidelines for Taisei Personnel and the Taisei Group as a Whole / Policy on Intellectual Property](https://www.aisei.co.jp/english/profile/philosophy/)

Patents That Contribute to the Resolution of Social Issues

Article 1 of the Patent Act states that the “purpose of this Act is to encourage inventions by promoting the protection and utilization of inventions, and thereby contribute to the development of industry.” Taisei Corporation promotes business management with a focus on intellectual property not only to secure its competitive advantage but also to achieve this original purpose, and strategically manages and utilizes all intellectual property including patents, copyright, construction and business know-how. Due to the strategic and active acquisition and utilization of intellectual property rights, our rate of

granted patents against the number of applications is high at 89.2%, compared with the average rate of all industries of 74.9%*. We will obtain rights for new values by being aware of customers’ needs and having dialogue with them. We will also contribute to society by developing new technology, offering technical support at construction sites and utilizing intellectual property based on a combination of business, research and development, and intellectual property strategies.

* Average value for the past three years in Patent Administration Annual Report 2020

For the Enhancement of ZEB Performance

A net zero energy building (ZEB) is a state-of-the-art building that achieves significant energy saving by using solar shading and natural energy through ingenuity in construction planning, high heat insulation, and high efficiency. At the same time, it greatly reduces annual energy consumption by generating energy through photovoltaic and other power generation systems. By achieving ZEBs and making them popular, the

energy supply demand structure is expected to fundamentally improve. At the Taisei Group, we have set enhancement of ZEBs as a key issue in the Medium-Term Business Plan, and our ZEB initiative is positioned to lead to the achievement of SDGs. As a promising sector to become a growth market going forward, we will make full efforts to evolve and spread ZEBs.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts	
● Loss of opportunities to receive orders due to fewer application track records for development of new proprietary technology.		● Contribution to solving social issues through business by improving technological capability and increased opportunities for receiving orders.	

KPIs	Scope of report	FY2023 targets		Responsible department
		Non-consolidated		
Number of patent applications filed		260 cases		Taisei Advanced Center of Technology
Number of orders received for net Zero Energy Buildings (ZEB)		8 projects/year		Energy Division

Materiality ④


Promotion of Supply Chain Management

Policy and Management

The Taisei Group strives for “promoting partnerships with subcontractors and suppliers” and “ensuring fair business transactions” as stated in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, along with the Procurement Policy established in reference to ISO 26000. We have issued the [CSR Procurement Guidelines](#) (formulated in 2014) to familiarize suppliers with the contents of their compliance with the guidelines. We also request that CSR activities be conducted in accordance with the guidelines.

The effort to raise awareness of CSR procurement includes holding educational training and seminars tailored to individual

responsibility levels such as officers and employees at all levels, branch managers, procurement managers, worksite managers, and overseas worksites, etc.; and providing suppliers with opportunities to participate in meetings with branch managers, e-learning training, on-site surveys and questionnaires, etc., among various other activities. Plans and results of these activities and future developments are discussed at the CSR Procurement Committee composed of responsible personnel from relevant divisions including Civil Engineering, Building Construction, Procurement, and Safety Administration, and reported to the CSR Committee.

 [Action Guidelines for Taisei Personnel and the Taisei Group as a Whole](https://www.taisei.co.jp/english/profile/philosophy/)
<https://www.taisei.co.jp/english/profile/philosophy/>

 [Procurement Policy](https://www.taisei.co.jp/english/profile/philosophy/policies/)
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Implementation of CSR Activity Survey on Suppliers

>> Risk Management/Assessment

Since 2016, we have been conducting regular questionnaire surveys for suppliers on compliance with our CSR procurement guidelines and on the systems for managing foreign technical interns. In the fiscal 2020 survey, we broadened the traditional scope of around 500 companies centering on Soyukai, our proprietary organization for core subcontractors, to approximately 1,700 companies with which we have constant business transactions. We are thus conducting educational activity for a wider range of business partners. Based on the survey results, we selected some 50 suppliers that have or need to address social challenges including environmental/human rights issues and labor problems. After considering and judging whether a site visit is required, we visited about 12 companies, and, while exchanging opinions with the business owners and the like, requested to enhance CSR activities and educate and instruct their business partners. In this way, we are striving to enhance efforts throughout the entire supply chain. Meanwhile, we have developed an online system and conducted the questionnaire survey through it to improve the usability and accessibility for suppliers regarding the survey.

Officer in charge	Chief of Corporate Planning Office
Organ for consultation	CSR Committee (Committee of the Board) •Important matters related to supply management that have been deliberated are proposed/reported to the Board via the Management Committee.
Promotion committee	CSR Procurement Committee •The committee organizes and conducts training and explanatory meetings, survey visits, questionnaire surveys, and the like.
Secretarial	CSR Promotion Section, Corporate Communication Department, Corporate Planning Office

>> Collaboration with External Parties

GCNJ's HRDD Subcommittee, EcoVadis

The Taisei Group participates in the Subcommittee on Human Rights Due Diligence (HRDD) of the Global Compact Network Japan (GCNJ) which is comprised of companies participating in the United Nations Global Compact.

In addition, Taisei Corporation has been registered with [EcoVadis](#) since fiscal 2019 as a supplier and started to disclose required information. We obtained a silver medal in the fiscal 2020 assessment.



KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts		
<ul style="list-style-type: none"> Higher cost due to interruptions and delays in construction due to procurement suspension. Decline in reputation owing to occurrence of human rights risks. 		<ul style="list-style-type: none"> Sustainable procurement of raw materials through procurement risk management. Improved competitiveness as a result of securing good-quality suppliers. 		
		Scope of report	FY2023 targets	Responsible department
KPIs	Supplier's conformity rates with the Taisei Group CSR Procurement Standards	Taisei Group	100%	Corporate Communication Department (CSR Promotion Section)

Percentage of companies with an average score of three or higher (out of five points) in the CSR Procurement Questionnaire distributed to suppliers.

Materiality ⑤


Thorough Management of Occupational Health and Safety

Policy and Management

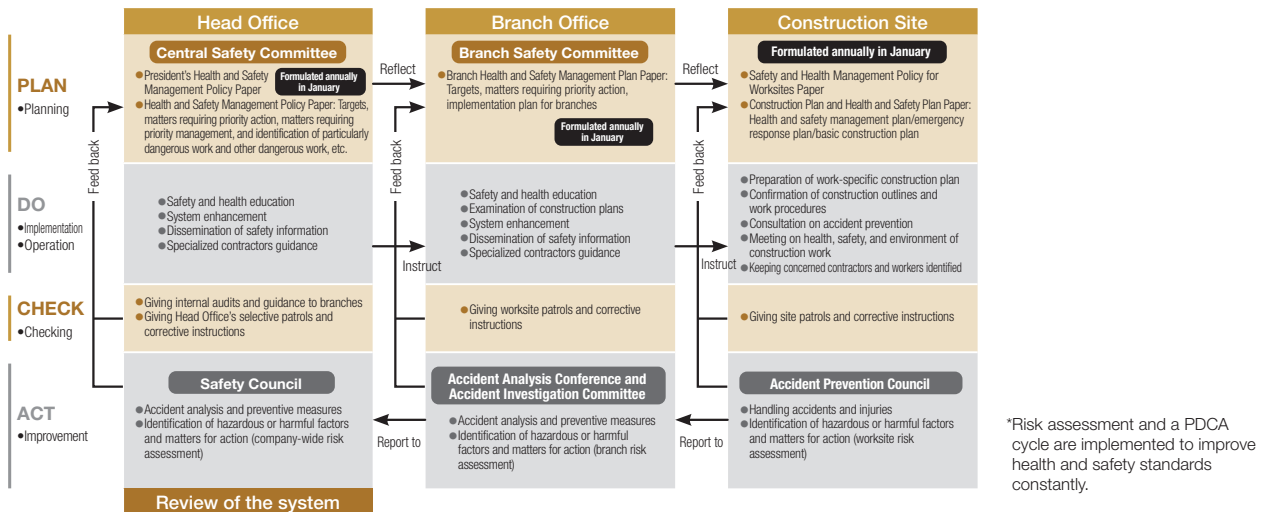
The Taisei Group’s safety-first policy is expressly stated in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole that “We strive to maintain a safe and hygienic work environment and prevent occupational accidents.”

In addition, annual targets in the Health and Safety Policy are announced by the President in January of each year. In light of the safety-first policy, our proposal to eliminate accidents and injuries and prevent injuries involving third parties is organized in the form of the Occupational Health and Safety Management System (TAISEI OHSMS). Based on this system, the Company implements the Plan-Do-Check-Act (PDCA) cycle to raise the level of occupational health and safety.

In addition, we have established the Central Safety Committee where safety management, prevention of environmental accidents, as well as issues related to the safety, health, and environment of specialized contractors are discussed and reported to the President. A Branch Safety Committee, composed of branch supervisory health and safety managers, employees, and labor unions, is also held to communicate with labor unions periodically. In close cooperation with the Taisei Corporation Safety, Health, and Environment Cooperation Association, which is organized by our cooperating companies across the country, we hold the “Thoroughgoing Safety Convention” and “Safety Promotion Convention” to prevent accidents and injuries.

 [Action Guidelines for Taisei Personnel and the Taisei Group as a Whole / Safety and Health Policy](https://www.aisei.co.jp/english/profile/philosophy/)
<https://www.aisei.co.jp/english/profile/philosophy/>

Conceptual Diagram of TAISEI OHSMS (Occupational Health and Safety Management System)



Improvement of Health and Safety Standards

In fiscal 2020, the Company experienced 35 occupational accident leaves excluding fatal accidents, resulting in an accident frequency rate of 0.35. To ensure health and safety management based on the TAISEI OHSMS, we will thoroughly implement workplace patrols and safety education for workers.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts		
<ul style="list-style-type: none"> Loss of social trust due to the occurrence of fatal accidents. Lower productivity due to occupational accidents. 		<ul style="list-style-type: none"> Maintenance of social trust through prevention of fatal accidents. Higher productivity as a result of achieving a safe workplace environment. 		
		Scope of report	FY2023 targets	Responsible department
KPIs	Number of fatal accidents	Taisei Group	0 cases	Safety Administration Division

Materiality ⑥

Cultivation of Technical Staff and Securing Human Resources

Policy and Management

The construction industry has an industrial structure with a large number of elderly workers compared to other industries, and the massive retirement of elderly workers is expected in the near future. Therefore, securing workers to support the construction industry in the future is an urgent issue.

At Taisei Corporation, we are focusing on the dissemination and promotion of the **Construction Career Up System (CCUS)**, which enables us to objectively and continuously accumulate and confirm the experience and skills of each and every construction engineer, which has been difficult to objectively grasp and visualize in the past, through cross-industrial, unified rules.

In addition, the working hours of the construction industry are about 320 hours longer per year than the average for all industries, a trend that has not changed for many years. Taisei Corporation has established the Working Hour Reduction Committee and the Working Hour Reduction Promotion Committee as internal consultative bodies, and formulates a policy for working hour reduction every year.

In 2017, the Japan Federation of Construction Contractors (hereinafter referred to as Nikkenren), formulated the Action Plan for the Realization of a Five-Day Work Week as a basic policy and concrete measures to realize a five-day work week at construction sites. As a member company of the Nikkenren, we are working together in the industry as a whole.

 **Labor Practices**
https://www.taisei.co.jp/about_us/csr/performance/iso26000/

Dissemination and Promotion of Construction Career Up System (CCUS)

We established the CCUS Promotion Roadmap (fiscal 2021–2023) in June 2021. In accordance with the new target of the Nikkenren, we have determined to achieve 100% for three indicators, namely the service provider registration rate, skilled worker registration rate and working history accumulation rate, by the end of fiscal 2023, and have set annual targets to achieve it. We will continue promoting CCUS and encourage our cooperating companies (suppliers) to register more service providers and skilled workers.

Efforts to Address Long Working Hours / Response to Closures of Worksites on Weekends

Taisei Corporation formulated Roadmap to fiscal 2024 for “addressing long working hours” with annual targets of “health management overtime (total of statutory overtime working hours and holiday working hours),” “regular leave and compensatory leave,” and “closures of worksites.” We have made efforts under the leadership of internal consultation bodies including the Committee for the Reduction of Working Hours and the Working Hour Reduction Promotion Committee.

In order to change employees’ awareness and behavior, all employees are expected to discuss and carry out practical measures to reduce working hours according to the conditions of individual workplaces. Activities that positively contributed to addressing long working hours are shared across Group companies and continuously promoted to maintain momentum.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts		
<ul style="list-style-type: none"> Decreased competitiveness and loyalty of employees due to insufficient human resources development and lack of diversity. 		<ul style="list-style-type: none"> Increased competitiveness and loyalty of employees by fostering excellent and diverse human resources. 		
		Scope of report	FY2023 targets	Responsible department
KPIs	Worksite registration rate of Construction Career Up System (CCUS) Procurement Standards		100%	Safety Administration Division Building Construction Division Civil Engineering Division
	Health management overtime	Non-consolidated	Monthly target: 50 hours Persons who exceeded: 720 overtime working hours per year: 0%	Human Resources Department
	Worksite implementation rate of a five-day work week (closed eight days in four weeks)		100%	Building Construction Division Civil Engineering Division

Materiality ⑦

Realization of an Attractive Working Environment That Is Good to Work in


Policy and Management

The Taisei Group is committed to “ensure basic human rights and diversity” in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and “respect for diversity” in the corporate philosophy expressed as the Taisei Spirit. We are focusing on nurturing a culture that seeks to achieve diversity and inclusion.

We are focusing on developing a workplace environment where diverse and talented people can utilize their abilities taking advantage of their diversity in religion, gender, age,

nationality, disabilities, sexual orientation/identity, work style, career, and the like. In May 2021, Taisei Corporation participated in **The Valuable 500**, an international initiative to promote active social participation of disabled people, and is committed to having recruitment activities for those who have disabilities and developing an environment where they can work pleasantly.

Also in July 2021, we participated in the My Jinken Declaration (The Declaration of Human Rights) advocated by the Ministry of Justice.

 [Our Structure of Values and Policies / Action Guidelines for Taisei Personnel and the Taisei Group as a Whole](https://www.taisei.co.jp/english/profile/philosophy/)
https://www.taisei.co.jp/english/profile/philosophy/

 [The Valuable 500](https://www.taisei.co.jp/english/ir/news/2021/20210607_release.html)
https://www.taisei.co.jp/english/ir/news/2021/20210607_release.html

Promotion of Women’s Participation and Advancement

To further enhance its initiative to promote diversity, Taisei Corporation has formulated a “voluntary action plan on promotion of women to managerial and executive positions” as well as an “action plan on women’s active participation in the workplace.” The aim is to promote a change to corporate culture, talent development, expansion of career advancement opportunities, recruitment and development, creation of a pleasant workplace, and the like.

Support of the Balance between Work and Family/Childcare

We are focusing on supporting male employees during childcare through such initiatives as joining the Ikuboss Corporate Alliance, a network of companies promoting development of ideal bosses for the new era (ikubosses), in April 2017. We also support balancing work and nursing care by developing a support system that is more extensive than legally required, including nursing care leave, and holding seminars.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts	
<ul style="list-style-type: none"> ● Decline in organizational capabilities and loyalty of employees due to insufficient human resources development and lack of diversity. ● Difficulty in recruitment activities due to a decline in reputation. 		<ul style="list-style-type: none"> ● Increased organizational capabilities and loyalty of employees by acquiring and developing excellent and diverse human resources. ● Maintenance of reputation by preventing human rights risks. 	

KPIs		Scope of report	FY2023 targets	Responsible department
		Non-consolidated	330 persons	Human Resources Department (Human Resources Revitalization Promotion Office)
	Rate of taking childcare leave by males		100%	

Materiality ⑧

Thorough Compliance / Restructuring of the Group Governance System

Note: For details, please see Risk Management Compliance on pp.72-76.

KPIs Impact on Corporate Activities / Key Performance Indicators



Negative Impacts		Positive Impacts	
<ul style="list-style-type: none"> ● Decline in reputation due to occurrence of human rights or corruption risks. ● Interruption or suspension of business due to information security accidents. 		<ul style="list-style-type: none"> ● Continuation of business and creation of business opportunities through appropriate risk management. ● Maintenance of reputation through appropriate information management. 	

KPIs		Scope of report	FY2023 targets	Responsible department
		Taisei Group	0 cases	Information Planning Department
	Attendance rate at compliance training including anti-corruption	Non-consolidated	100%	General Affairs Department

Management Members

(As of September 1, 2021)

Members of the Board



- Attendance at Board meetings:
13 out of 13 meetings (100%)

June 2021
Chairman of the Board

Takashi YAMAUCHI
Chairman of the Board



- Attendance at Board meetings:
13 out of 13 meetings (100%)

June 2020
President, Representative Director

Yoshiro AIKAWA
President, Representative Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)

April 2021
Executive Vice President, Representative Director
Chief of Business Administration Division;
In charge of New Business Planning

Shigeyuki SAKURAI
Representative Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)

June 2021
Executive Vice President, Representative Director
Chief of Civil Engineering Division;
In charge of Safety

Shigeyoshi TANAKA
Representative Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)

June 2021
Executive Vice President, Representative Director
Chief of Marketing & Sales Division
(Integrated)

Norihiko YAGUCHI
Representative Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)

June 2020
Senior Managing Executive Officer
Deputy Chief of Marketing & Sales Division
(Integrated), Supervising Marketing & Sales
(Civil Engineering) Division; Chief of
Marketing & Sales (Civil Engineering)
Division

Hiroshi KIMURA
Director



Newly
Appointed

June 2021
Senior Managing Executive Officer
Chief of Marketing & Sales Promotion
Division

Atsushi YAMAMOTO
Director



Newly
Appointed

June 2021
Senior Managing Executive Officer
Chief of Architecture & Engineering
Division (Integrated); Chief of Building
Construction Division

Yoshihiro TERAMOTO
Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)
 - Concurrent positions:
Outside Director of INPEX Corporation
- June 2017
Member of the Board of Taisei Corporation

Atsuko NISHIMURA
Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)
 - Concurrent positions:
External Member of the Board of Television
Hokkaido Broadcasting Co., Ltd.
External Auditor of FUJIO FOOD
SYSTEM Co., Ltd.
- June 2019
Member of the Board of Taisei Corporation

Takao MURAKAMI
Director



- Attendance at Board meetings:
12 out of 13 meetings (92%)
 - Concurrent positions:
Outside Director of Sojitz Corporation
- June 2019
Member of the Board of Taisei Corporation

Norio OTSUKA
Director



- Attendance at Board meetings:
13 out of 13 meetings (100%)
 - Concurrent positions:
Chairman of the Board of Marubeni
Corporation
Outside Director of Honda Motor
Co., Ltd.
- June 2019
Member of the Board of Taisei Corporation

Fumiya KOKUBU
Director

Audit & Supervisory Board Members



Takashi HAYASHI
Audit & Supervisory Board Member
(Full-Time)

- Attendance at Board meetings:
13 out of 13 meetings (100%)
- Attendance at Audit & Supervisory Board meetings:
14 out of 14 meetings (100%)

June 2019
Audit & Supervisory Board Member of
Taisei Corporation

External Member Independent Officer



Yasuhiro SATO
Audit & Supervisory Board Member

- Attendance at Board meetings:
10 out of 10 meetings (100%)
- Attendance at Audit & Supervisory Board meetings:
9 out of 10 meetings (90%)
- Concurrent positions:
Chairman, Member of the Board of Directors of Mizuho Financial Group, Inc.

June 2020
Audit & Supervisory Board Member of
Taisei Corporation

External Member Independent Officer



Keiko OHARA
Audit & Supervisory Board Member

- Attendance at Board meetings:
10 out of 10 meetings (100%)
- Attendance at Audit & Supervisory Board meetings:
10 out of 10 meetings (100%)
- Concurrent positions:
Founding Partner, Kamiyacho International Law Office
Director, Member of the board (Independent) of Financial Products Group Co., Ltd.
Outside Director of FUJI KYUKO CO., LTD.

June 2020
Audit & Supervisory Board Member of
Taisei Corporation



Akihiko NOMA
Audit & Supervisory Board Member
(Full-Time)

- Attendance at Board meetings:
13 out of 13 meetings (100%)
- Attendance at Audit & Supervisory Board meetings:
14 out of 14 meetings (100%)

June 2019
Audit & Supervisory Board Member of
Taisei Corporation

External Member Independent Officer



Seishi TASHIRO
Audit & Supervisory Board Member

- Attendance at Board meetings:
10 out of 10 meetings (100%)
- Attendance at Audit & Supervisory Board meetings:
10 out of 10 meetings
- Concurrent positions:
Advisor of Chiba Institute of Technology
Special Professor of Chiba Institute of Technology

June 2020
Audit & Supervisory Board Member of
Taisei Corporation

External Member Independent Officer



Masamitsu MIURA
Audit & Supervisory Board Member

June 2021
Audit & Supervisory Board Member of
Taisei Corporation

Notes 1: Ms. Atsuko NISHIMURA, Mr. Takao MURAKAMI, Mr. Norio OTSUKA, and Mr. Fumiya KOKUBU are External Members of the Board as defined by the Companies Act, Article 2-XV.
2: Mr. Yasuhiro SATO, Mr. Seishi TASHIRO, Ms. Keiko OHARA and Mr. Masamitsu MIURA are External Audit & Supervisory Board Members as defined by the Companies Act, Article 2-XVI.
3: Ms. Atsuko NISHIMURA, Mr. Takao MURAKAMI, Mr. Norio OTSUKA, Mr. Fumiya KOKUBU, Mr. Yasuhiro SATO, Mr. Seishi TASHIRO, Ms. Keiko OHARA and Mr. Masamitsu MIURA are independent officers in accordance with the rules of Tokyo Stock Exchange and Nagoya Stock Exchange.

Chairman

Takashi YAMAUCHI

Executive Officers

President and Chief Executive Officer

Yoshiro AIKAWA

Vice Chairman and Executive Officer

Kazuhiko DAI

Executive Vice Presidents

Shigeyoshi TANAKA
Chief of Civil Engineering Division;
In charge of Safety

Shigeyuki SAKURAI
Chief of Business Administration Division;
In charge of New Business Planning

Katsuyuki KANAI
Supervising Urban Development Division;
In charge of New Business Development

Norihiko YAGUCHI
Chief of Marketing & Sales Division (Integrated)

Takao KANAI
Chief of Marketing & Sales (West Japan) Division

Senior Managing Executive Officers

Yoshinobu SHIGEJI
In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Yasushi YOSHINARI
Chief of Medical & Pharmaceutical Business Division

Jiro TANIYAMA
Chief of Corporate Planning Office

Hiroshi TSUCHIYA
Chief of Marketing & Sales (Building Construction) Division I

Hiroshi KIMURA
Deputy Chief of Marketing & Sales Division (Integrated),
Supervising Marketing & Sales (Civil Engineering) Division;
Chief of Marketing & Sales (Civil Engineering) Division

Keiji HIRANO
Chief of International Operations Headquarters

Atsushi YAMAMOTO
Chief of Marketing & Sales Promotion Division

Yoshihiro TERAMOTO
Chief of Architecture & Engineering Division (Integrated);
Chief of Building Construction Division

Managing Executive Officers

Kazuhiko HOMBU
In charge of Technology;
In charge of Energy & Environment

Masao YOSHIKAWA
In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Takeshi KAGATA
Chief of Kansai Branch

Noriaki KON
Chief of Procurement Division

Yuichi KITAGUCHI
Chief of Marketing & Sales (Building Construction) Division III

Yasumitsu SAKURAI
Deputy Chief of International Operations Headquarters

Shun KITANO
Chief of Safety Administration Division

Shimpei OGUCHI
Deputy Chief of Marketing & Sales (West Japan) Division,
in charge of Building Construction

Taku YAMAMOTO
In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Atsushi SUZUKI
Chief of Nagoya Branch

Makoto OHTA
In charge of Civil Engineering Technology;
General Manager of International Projects Management
Department, Civil Engineering Division

Shinji KAWAMURA
Chief of Kyusyu Branch

Iwao NISHIOKA
Chief of Tohoku Branch

Akira NAKAYA
Chief of Marketing & Sales (Building Construction) Division II

Masahiko OKADA
Chief of Hokushinetsu Branch

Yoshio ABE
Deputy Chief of Marketing & Sales (Civil Engineering) Division;
In charge of Olympic and Paralympic Projects

Akira EJIMA
Chief of Yokohama Branch

Yasushi KAMEZAWA
General Manager of Design Department,
Civil Engineering Division

Shinsaburo SAWA
Deputy Chief of Marketing & Sales (Building Construction)
Division I

Yoshihiko IKEUCHI
Deputy Chief of Marketing & Sales (Civil Engineering) Division

Ichiro NAGASHIMA
Chief of Taisei Advanced Center of Technology

Kenji SHIRAKAWA
Deputy Chief of Civil Engineering Division;
General Manager of Civil Engineering Department

Shinichiro TAKAHAMA
Chief of Engineering Division

Koichiro OKUHATA
Chief of Tokyo Branch

Executive Officers

Weiyu CHUNG

General Manager of Marketing & Business Development
Department (Taiwan), International Marketing & Business
Development Division

Katsuhiko KITAGAWA

In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Shinichi HIRAJIMA

Chief of Sapporo Branch

Toshihiko AOKI

Deputy Chief of International Operations Headquarters
(Civil Engineering);
General Manager of Civil Engineering Department

Yasuji YAMAUCHI

In charge of Technology

Shigeo OCHI

In charge of Technology

Miyoshi KATO

Chief of Energy Division;
General Manager of Energy Projects Promotion Department

Masaru KAMATA

Deputy Chief of Marketing & Sales (Building Construction)
Division I

Yuji IJIRI

Chief of Nuclear Facilities Division

Tatsuya SUGAWARA

Chief of International Marketing & Business Development
Division

Junichi KASAHARA

Deputy Chief of Business Administration Division;
General Manager of General Affairs Department

Masato MATSUMURA

Chief of Design Division

Hiroki FUKASAWA

Deputy Chief of Tokyo Branch (Civil Engineering);
General Manager of Civil Engineering Department

Tohru UEMATSU

Chief of Building Renovation Division

Hideki NISHIYAMA

Chief of Shikoku Branch

Mayuki YAMAURA

Chief of Chiba Branch

Takashi YAMAZAKI

Chief of Urban Development Division

Yukio HABA

Deputy Chief of Corporate Planning Office;
General Manager of Corporate Planning Department;
General Manager of New Business Planning Department

Yuichiro YOSHINO

Chief of Chugoku Branch

Masahiro YOSHIDA

In charge of Marketing & Sales, Marketing & Sales Division
(Integrated)

Yuji TANIGAWA

Chief of Mechanical & Electrical Division

Executive Fellows

Toshihiko TSUKA

In charge of Information Planning, Corporate Planning Office

Hirotoshi IKEDA

Deputy Chief of Architecture & Engineering Division (Integrated)

Yozo SHINOZAKI

Deputy Chief of Design Division

Tsuyoshi MARUYA

Deputy Chief of Taisei Advanced Center of Technology;
General Manager of Infrastructure Technology Research
Department

Takaharu YAMAMURA

Deputy Chief of Urban Development Division

Masami SHIMIZU

General Manager of Construction Engineering Department,
Civil Engineering Division

Our Basic Approach to Corporate Governance

The Company aims to achieve sustainable development and improvement in the medium- to long-term value of the Company and its subsidiaries and affiliates (collectively, the Taisei Group) in accordance with the philosophy of the Taisei Group, being “to create a vibrant environment for all members of society” (the Taisei Group Philosophy) and the so-called “Taisei Spirit,” which embodies our commitment to “Active and Transparent Culture,” “Value Creation” and “Evolution of Tradition.”

The Company’s fundamental approach to corporate governance is to conduct the management and decision-making of the business in a swift, appropriate, fair and transparent manner in order to continue to grow as a corporation in a sustainable and socially responsible manner.



Fundamental Corporate Governance Policy
<https://www.taisei.co.jp/english/profile/governance/>

Established Fundamental Corporate Governance Policy

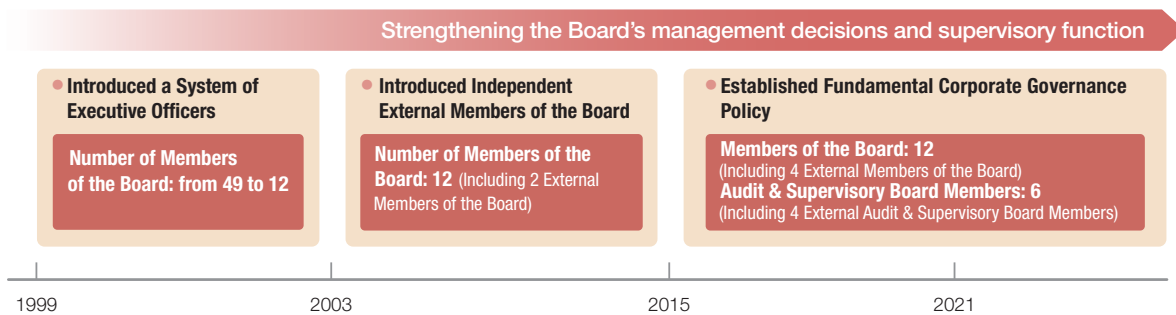
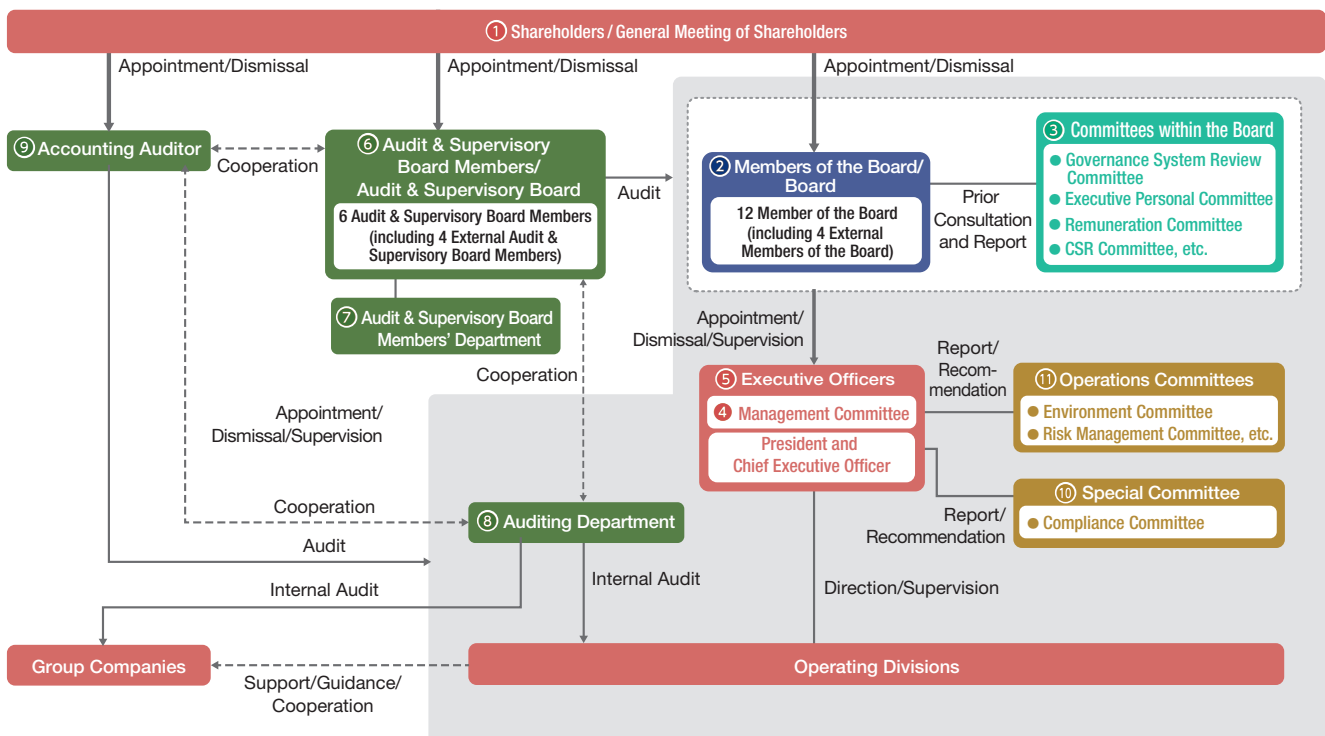


Chart of Corporate Governance System (As of September 1, 2021)



Overview of Corporate Governance System

① Shareholders / General Meeting of Shareholders

The Company shall endeavor to dispatch the convocation notice of its General Meeting of Shareholders* at least three weeks prior to the scheduled date of such General Meeting of Shareholders in order to provide its shareholders time to sufficiently consider the exercise of their voting rights.

In addition, the Company shall announce the information through its official website about one week prior to dispatching each notice and use a voting right exercise service by scanning a QR code for smartphones. We also participate in an electronic voting platform for institutional investors.

* Held on June 25, 2021 for fiscal 2020

② Members of the Board / Board (Convened 13 times in fiscal 2020)

In order to facilitate the growth of the Company in a sustainable manner and improve its corporate value in the medium to long term, the Board appropriately fulfills its roles and responsibilities mainly in (1) indicating the major direction of its corporate strategy, etc., (2) creating an environment that supports appropriate risk-taking by senior management, and (3) conducting highly effective supervision of management and directors from an independent and objective standpoint.

The Board is composed of 12 Members of the Board (eight Internal Members of the Board and four External Members of the Board). Nominations of candidates for Members of the Board are determined by the Board after

deliberation by the Executive Personnel Committee established within the Board.

As of September 1, 2021, one-third of the Members of the Board were Independent External Members of the Board.

The External Members of the Board (three males and one female), who have objective viewpoints based on their experience and insight, bring diversity to the deliberations of the Board while contributing to the strengthening of the supervision of management.

③ Committees within the Board

For the purpose of invigorating deliberations by the Board, the Company has established the Governance System Review Committee, the Executive Personnel Committee, the Remuneration Committee, and the CSR Committee within the Board. The major members of each committee are Independent External Members of the Board to clarify independence and objectivity.

④ Management Committee

The Management Committee has been established as a decision-making organ for business execution. The authority to make decisions on business execution delegated to the Management Committee is set forth in the Regulations of Management Committee.

③ Committees within the Board (As of September 1, 2021)

Name (Frequency)	Authority	Name of the authorized members			
Governance System Review Committee (Three times a year)	Consideration of the development and operation of governance systems	Chairperson	Atsuko NISHIMURA*		
		Vice-chairperson	Shigeyuki SAKURAI		
		Members	Yoshiro AIKAWA Takao MURAKAMI* Takashi HAYASHI	Shigeyoshi TANAKA Norio OTSUKA*	Norihiko YAGUCHI Fumiya KOKUBU*
Executive Personnel Committee (Four times a year)	Consideration of personnel of Members of the Board and Executive Officers, etc.	Chairperson	Takao MURAKAMI*		
		Members	Takashi YAMAUCHI Shigeyuki SAKURAI Fumiya KOKUBU*	Yoshiro AIKAWA Atsuko NISHIMURA* Yasuhiro SATO*	Shigeyoshi TANAKA Norio OTSUKA*
		Chairperson	Norio Otsuka*		
Remuneration Committee (Four times a year)	Consideration of remuneration for Members of the Board and Executive Officers	Members	Takashi YAMAUCHI Shigeyuki SAKURAI Fumiya KOKUBU*	Yoshiro AIKAWA Atsuko NISHIMURA* Seishi TASHIRO*	Shigeyoshi TANAKA Takao MURAKAMI*
		Chairperson	Fumiya Kokubu*		
		Members	Yoshiro AIKAWA Yoshihiro TERAMOTO Keiko OHARA*	Shigeyoshi TANAKA Atsuko NISHIMURA* Norio OTSUKA*	Shigeyuki SAKURAI

* External Member of the Board

⑤ Executive Officers

For the purpose of enabling agile business execution, the Company has adopted the executive officer system.

⑥ Audit & Supervisory Board (Convened 14 times in fiscal 2020)

In accordance with the audit policy and audit plan established by the Audit & Supervisory Board, Audit & Supervisory Board Members audit the execution of duties by the Members of the Board independently from the Board by attending the Board and other important meetings, listening to reports from the Members of the Board, inspecting important documents, visiting business offices, etc. Four of the six Audit & Supervisory Board Members are independent external members with specialized knowledge, ensuring a neutral and objective monitoring system.

In principle, the Audit & Supervisory Board meets once a month or as otherwise necessary, and receives reports from each Audit & Supervisory Board Members on the status and results of audits. In addition to statutory matters, the Audit & Supervisory Board discusses and resolves matters related to the execution of duties by the Audit & Supervisory Board Members, and receives reports on audit plans and results from the Auditing Department and the accounting auditor as needed.

⑦ Audit & Supervisory Board Members' Department

To assist Audit & Supervisory Board Members in the performance of their duties, the Audit & Supervisory Board Members' Department has been set up independently of the Board as a dedicated organization to support Audit & Supervisory Board Members with the collection of appropriate information and other tasks.

⑧ Auditing Department

Based on the annual auditing plan, the Auditing Department conducts internal audits of administrative and management systems as well as the legality and rationality of the management of corporate affairs at all in-house departments and Group companies.

⑨ Accounting Auditor

The Accounting Auditors submit reports on the audit plan and the audit results to the Audit & Supervisory Board, the Accounting Department and other internal control departments as needed.

To ensure the external accounting auditors conduct fair and appropriate audits, the management of the Company, Audit & Supervisory Board Members, and the Auditing Department shall have meetings on a regular and as needed basis, and exchange their opinions with the external accounting auditors.

⑩ Special Committee

To reinforce the promotion of compliance, the Company has set up the Compliance Committee chaired by an external expert as a Special Committee that responds to consultations with the President. (see p.72)

⑪ Operations Committees

The Company has established operations committees such as the Environmental Committee and the Risk Management Committee to deliberate on matters related to the consultation of the management meeting and the President.

Skill Matrix

● Specialties and experience required of Members of the Board

Name/Position and Responsibility		Corporate Management/Strategy	Legal/Risk Management	Finance/Accounting	Technology	Sales/Marketing	Globalization	Sustainability
Takashi YAMAUCHI	Chairman of the Board	●			●	●		●
Yoshiro AIKAWA	President and Chief Executive Officer, Representative Director	●			●	●		●
Shigeyuki SAKURAI	Executive Vice President, Representative Director; Chief of Business Administration Division; In charge of New Business Planning		●	●			●	
Shigeyoshi TANAKA	Executive Vice President, Representative Director; Chief of Civil Engineering Division; In charge of Safety				●	●		
Norihiko YAGUCHI	Executive Vice President, Representative Director; Chief of Marketing & Sales Division (Integrated)				●	●		
Hiroshi KIMURA	Senior Managing Executive Officer, Director; Deputy Chief of Marketing & Sales Division (Integrated); Supervising Marketing & Sales (Civil Engineering) Division; Chief of Marketing & Sales (Civil Engineering) Division				●	●		
Atsushi YAMAMOTO	Senior Managing Executive Officer, Director; Chief of Marketing & Sales Promotion Division					●		
Yoshihiro TERAMOTO	Senior Managing Executive Officer, Director; Chief of Architecture & Engineering Division (Integrated); Chief of Building Construction Division				●			
Atsuko NISHIMURA	Director; Chairperson of Governance System Review Committee		●				●	●
Takao MURAKAMI	Director; Chairperson of Executive Personnel Committee	●						●
Norio OTSUKA	Director; Chairperson of Remuneration Committee	●						●
Fumiya KOKUBU	Director; Chairperson of CSR Committee	●					●	●

Effectiveness of the Board

The Board of the Company analyzes and evaluates effectiveness of the Board and discloses the results annually.

I. Fiscal 2020 Initiatives Based on the Fiscal 2019 Evaluation

In fiscal 2020, in order to invigorate and substantiate the deliberations at the Board and further strengthen its supervisory functions, the Company reviewed the governance system and established the Management Committee, a decision-making organ for business execution, and strove for swifter decision-making by delegating a wider range of authority to the executive side. In the fiscal 2019 evaluation of effectiveness, we identified the challenges listed below as the Company reviewed the governance system:

《Issues identified at the evaluation of the effectiveness in the fiscal 2020》

- To further enhance discussions from a medium- to long-term perspective
- To fully utilize the new governance system to maintain and strengthen competitiveness
- To review the operation of the system continuously and flexibly depending on the situation
- To prepare concise materials focusing on essential points
- To make effective use of information equipment for timely information sharing

Based on the results of the evaluation, the Company worked on the following in fiscal year 2020:

Enhancement of Deliberations in Formulating a Medium-Term Business Plan

In formulating a new Medium-Term Business Plan (2021–2023), the Board and the Management Committee strove to enhance discussions regarding our 10-year vision “Taisei Vision 2030,” and initiatives for the next three years to realize the vision by holding several meetings and spending sufficient time thereon.

Confirmation of the Operation of the New Governance System

The Governance System Review Committee, one of the committees within the Board, analyzed the agenda of the Board to compare the content and number of matters taken up for discussion, the time required for discussing them, and so forth with those for the previous year and verify the appropriateness thereof. Based on the results of the verification, the Committee examined the governance system to further improve it, mainly by reviewing matters to be brought before the Board.

Effective Use of information Devices

By improvement of a cloud environment and effective use of tablet devices, the Members of the Board are provided an environment that enables them to view meeting materials in advance. In addition, a web conference system was introduced for certain part of the prior briefings for the Board.

II. Overview of the Fiscal 2020 Evaluation

The method used to evaluate effectiveness in fiscal 2020, the first year of the new system, and the results of the evaluation are as outlined below.

① Evaluation Method and Process

- The secretariat prepared a self-evaluation questionnaire (evaluation sheet for the Board) and obtained approval of its content from the Board, and all Members of Board and Audit & Supervisory Board conducted self-evaluations using the questionnaire.
- The evaluation items in the questionnaire are as listed below. Items 1–4 consisted of five-grade assessments and free descriptions, and Items 5 and 6 comprised free descriptions.

《Evaluation items》

1. Self-evaluation as a member of the Board
2. Structure and operation of the Board
3. Effectiveness of the Board
4. Support system
5. Process and content of deliberation to formulate the Medium-Term Business Plan
6. General evaluation of the Board

- The secretariat collated the results of the self-evaluations, and the External Members of the Board conducted an overall assessment of them.
- At the same time, a lawyer prepared a third-party's opinion towards the results of the self-evaluations.
- Then the Board deliberated on the effectiveness of fiscal year 2020 based on the overall assessment and the third-party's opinion.

② Results of the Evaluation of Effectiveness of the Board

- As the results of analysis, the Board is evaluated as functioning effectively through the invigorated, substantial deliberations on important matters such as the Medium-Term Business Plan and the efficient sharing of materials under the support system.

III. Future Initiatives

In the future, in order to further enhance its effectiveness, the Board will improve its operation by tackling the challenges listed below.

- To follow up on the Medium-Term Business Plan and focus on discussions to enhance corporate value in the medium to long run
- To narrow down the number of agenda items, simplify meeting materials and briefings, and take other measures to secure more time for deliberation
- To ensure that internal and external executives sharing awareness and fully exchanging opinions through open-ended discussion, etc.
- To consider specific ways to increase the effectiveness of group governance
- To review the structure, functions, and discussion methods of the committees within the Board in a medium to long term perspective
- To create an even better environment from the viewpoint of BCP, such as online conferencing

Promotion of Internal Controls

At Taisei Corporation, the Board established the Fundamental Policy to Enhance Operational Compliance Systems in May 2006 (revised in April 2020) to ensure the systems for conducting operations in an appropriate and efficient manner as a Group and the reliability of financial reporting. Through these systems, we deliver enhanced risk management and compliance. The Company implements various measures, including training relating to legal compliance with the Antimonopoly Act with the participation of outside lawyers, mainly for executives and employees in the sales division.

 **Fundamental Policy to Enhance Operational Compliance Systems**
<https://www.taisei.co.jp/english/profile/governance/>

Ensuring the Credibility of Financial Reporting

Internal controls on financial reporting based on the Financial Instruments and Exchange Act are recognized as one of the most important issues for a corporation. We have set up the internal systems including daily monitoring to ensure the credibility of the financial reporting disclosed to the public. The effectiveness of the system is evaluated by the Auditing Department and audited by KPMG AZSA LLC. The results are disclosed in the Internal Control Report and in the Audit Report of Internal Controls. We will fulfill our social responsibility as a corporation by continuing to ensure the effectiveness of these internal controls.

In order to continue to operate the internal control systems relating to financial reporting in a sound manner, we are also publishing messages from the President, implementing e-learning, and other campaigns to raise awareness among executives and employees.

Support System for External Members of the Board and External Audit & Supervisory Board Members

The Secretarial Department supports the business execution duties of External Members of the Board, and the Audit & Supervisory Board Members' Department supports the business execution duties of External Audit & Supervisory Board Members. Materials and data will be distributed and made available for inspection prior to the meetings of the Board held in principle once a month. Prior briefings are also held to provide explanations by internal Members of the Board, etc. on proposals. Opinion exchange meetings between Members of the Board are held regularly to share information and promote cooperation.

These support systems enable the Board to fully and actively deliberate and express opinions.

Implementation of Executive Training

As necessary training for Members of the Board and Audit & Supervisory Board Members to fulfill their roles and responsibilities, training and materials on related laws and regulations, the articles of incorporation, the Board Rules and internal rules that stipulate the Company's important policies are provided at the time of appointment.

In addition to the training described above, we provide opportunities to receive training from outside organizations and experts on an ongoing basis.

When necessary, we hold worksite visit tours and other events for External Members of the Board and External Audit & Supervisory Board Members to deepen their understanding of the Group and business activities.



ESG study session

Accountability

Dialogue with Shareholders and Investors

Taisei Corporation established the Information Disclosure Policy, and has set forth principles for ensuring appropriate information disclosure and transparency in the Fundamental Corporate Governance Policy. These policies form the basis for our practice of timely and appropriate information disclosure.

In 2015, the Company established the IR Policy and has been promoting constructive dialogue through discussions with shareholders and investors, IR briefings, and the annual general meeting of shareholders.

Furthermore, we strive for fair information disclosure via the Taisei Corporation official website, where we publish explanatory material with commentary, summaries of the President's speeches and the main question and answer sessions (in Japanese and English) on top of the Medium-Term Business Plan and materials distributed at results briefings. In addition, we disclose information to overseas investors in English in our annual reports and on the Taisei Corporation official English website. We also report on key business activities and environmental, social and governance (ESG) initiatives in the shareholder newsletter in order to further deepen our shareholders' understanding of our corporate activities.

 **Information Disclosure Policy / Fundamental Policy to Enhance Operational Compliance Systems / IR Policy**
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

 **Communication with Stakeholders**
p.29 Towards Sustainable Value Creation

Remuneration for Executives

- ① Policies on Determination of the Amount and the Calculation Method of Remuneration for Executives
- Policies on Determination of the Amount and the Calculation Method of Remuneration for the Members of the Board

The remuneration, etc. for Members of the Board of the Company consists of fixed compensation and performance-based compensation, both of which are monetary compensation, as well as non-monetary performance-based compensation (stock compensation).

The maximum total amount of fixed compensation and performance-based compensation (monetary compensation) is 70 million yen per month in accordance with the resolution at the 146th General Meeting of Shareholders held on June 27, 2006. The maximum total amount of performance-based compensation (stock compensation) is 35,000 points (1 point = 1 share), and ¥100 million per fiscal year respectively in accordance with the resolution at the 160th General Meeting of Shareholders held on June 24, 2020. The above policy of remuneration was decided comprehensively considering the matters such as the business scale, content, and performance of both the Company and the Taisei Group, as well as the duties and responsibilities of each Member of the Board.

Moreover, with respect to performance-based compensation, the Company has set performance values that serve as criteria for monetary compensation and stock compensation and has established a rule that the ratio of performance-based compensation will increase when performance is favorable compared to the criteria.

From a medium- to long-term perspective, the Company has a plan to review for reducing the proportion of fixed compensation and increasing the proportion of performance-based compensation.

However, the compensation for External Members of the Board shall be fixed compensation only. When determining the details of remuneration, etc., the content of remuneration, etc., were discussed at the Remuneration Committee, which carries out preliminary reviews ahead of the Board, held on June 9, 2021. (The Chairperson of the Remuneration Committee is Norio OTSUKA, an External Member of the Board. It consists of eight members including four External Members of the Board.) Individual remuneration, etc. that reflect his/her responsibility and position (including the position of Executive Officer when concurrently serving as Executive Officer; the same shall apply hereafter) have been determined at the Board meeting held on June 25, 2021. We assess that the content is in line with the policy on determination of the individual remuneration, etc. for the Members of the Board.

The Remuneration Committee adopts a system that enables it to appropriately examine the details of remuneration, etc. by selecting its members from among the Members of the Board and appointing its chairman and at least half of its members from among the External Members of the Board.

(Fixed Compensation)

The fixed compensation shall be paid to each Member of the Board on a fixed date every month during the term of office, and shall be determined according to the responsibilities of each Member of the Board, comprehensively taking account of the Company's business scale, content, and the duties and responsibilities of each Member of the Board, and the fixed compensation to each Member of the Board other than External Members of the Board, shall be progressively increased according to his or her position.

(Performance-Based Compensation [Monetary Compensation])

The performance-based compensation (monetary compensation) shall be paid to the Member of the Board on a fixed day of each month during the term of office. Since the performance indicators should be an indicator that approximates the Company's added value, the indicator adopted the sum of the amount of (i) net income before income taxes in the nonconsolidated statements of income for the most recent fiscal year and (ii) the total amount of bonuses to be paid to employees for the most recent fiscal year, and provided the systems so that amount paid to each Member of the Board would be progressively increased according to his or her positional rank.

From July 2021, in order to clarify the linkage between the responsibilities of the Members of the Board for the Group management and their remuneration, it was resolved at the Board held on June 11, 2021, that net income attributable to owners of parent in the consolidated statements of income for the most recent fiscal year should be used as a revised performance indicator.

(Performance-Based Compensation [Stock Compensation])

The performance-based compensation (stock compensation) is designed to raise the awareness of Members of the Board to contribute to improving medium- to long-term business results and enhancing corporate value by clarifying the policy so as to link the remuneration of Members of the Board with the Taisei Group's business results and the value of share, and by sharing with shareholders not only the benefits of a rise in share prices but also the risk of a decline in share prices. The stock benefit trust (= Board Benefit Trust) method is adopted, and the date of the annual General Meeting of Shareholders is the grant date. In accordance with the "Officers' Share Benefit Regulations" established by the Board, each year during his or her term of office, points are granted and accumulated to one (1) share per point. In the event that a Member of the Board retires and satisfies the beneficiary requirements specified in the "Officers' Share Benefit Regulations," the Company's shares equivalent to the cumulative number of points will be distributed after retirement through prescribed procedures to determine the beneficiary. A part of the payment may be made in cash equivalent to the market value of the Company's shares instead of the Company's shares.

Net income attributable to owners of parent in the consolidated statements of income for the most recent fiscal year is used as a performance indicator because it is an indicator that shows the final results of the Taisei Group's business activities. The points to be granted to each Member of the Board are determined separately for Representative Directors and other Members of the Board respectively considering the status of achievement of business performance, duties and responsibilities.

As for the determination of the amount and the points to be granted for performance-based compensation (monetary compensation and stock compensation), the Remuneration Committee discusses the following matters to propose to the Board.

- (1) Total amount of payment of the remuneration for the Members of the Board, etc., total points to be granted, the amount of payment and the points to be granted by position
- (2) Establishment and revision of the internal rules for remuneration for the Members of the Board

Now targets and results of indicators associated with performance-based compensation (monetary compensation and stock compensation) are shown on the following page.

(Millions of Yen)

Date of resolution by the Board	June 25, 2021		June 24, 2020 (Reference)	
Period for the amount of monetary reward	July 2021–June 2022		July 2020–June 2021	
Date of grant of points for stock remuneration	June 25, 2021		—	
Target or Result	Target	Results	Target	Results
Net income attributable to owners of parent in the most recent business year	56,000	92,554	—	—
Income before income taxes in the most recent business year	—	—	127,000	144,973
Total amount of bonuses for employees borne in the most recent business year	—	—	(Note)	29,903
Total	—	—	(Note)	174,877

Note: Since no target value is set for the total amount of bonuses for employees, only the result is indicated.

● Policies on determination of the amount and the calculation methods of remuneration, etc. for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is determined by consultation of the Audit & Supervisory Board, and the monthly total is limited to ¥12 million based on the resolution of the 134th General Meeting of Shareholders held on June 29, 1994. The amount of remuneration for each Audit & Supervisory Board Member was determined after deliberation by the Audit & Supervisory Board on June 25, 2021.

② Total amount of remuneration, etc. by the category of executives, total amount of remuneration, etc. by type and number of applicable officers

Category	Internal executives				
	Number of recipients	Fixed compensation	Performance-based compensation	Stock compensation	Total amount of remuneration
Members of the Board	8	¥488 million	¥224 million	¥39 million	¥752 million
Audit & Supervisory Board Members	2	61 million	—	—	61 million
Subtotal	10	¥549 million	¥224 million	¥39 million	¥813 million

Category	External executives				
	Number of recipients	Fixed compensation	Performance-based compensation	Stock compensation	Total amount of remuneration
Members of the Board	4	¥ 62 million	—	—	¥ 62 million
Audit & Supervisory Board Members	7	50 million	—	—	50 million
Subtotal	11	¥112 million	—	—	¥112 million

Category	Total amount				
	Number of recipients	Fixed compensation	Performance-based compensation	Stock compensation	Total amount of remuneration
Members of the Board	12	¥550 million	¥224 million	¥39 million	¥814 million
Audit & Supervisory Board Members	9	111 million	—	—	111 million
Subtotal	21	¥662 million	¥224 million	¥39 million	¥926 million

Note: Stock compensation represents the amount recorded as expenses.

③ Total amount of consolidated remuneration, etc. by each executive (only for those whose total consolidated remuneration, etc. is no less than ¥100 million)

Name	Total amount of consolidated remuneration, etc.	Executive classification	Amount of remuneration on a consolidated basis, etc. by type		
			Fixed compensation	Performance-based compensation	Stock compensation ^{*2}
Takashi YAMAUCHI	¥128 million	Chairman of the Board ^{*1}	¥83 million	¥38 million	¥5 million
Yoshiro AIKAWA	¥113 million	President, Representative Director	¥75 million	¥33 million	¥5 million

*1 As of July 1, 2021, Mr. YAMAUCHI's position is Chairman of the Board.

*2 Stock compensation represents the amount recorded as expenses.

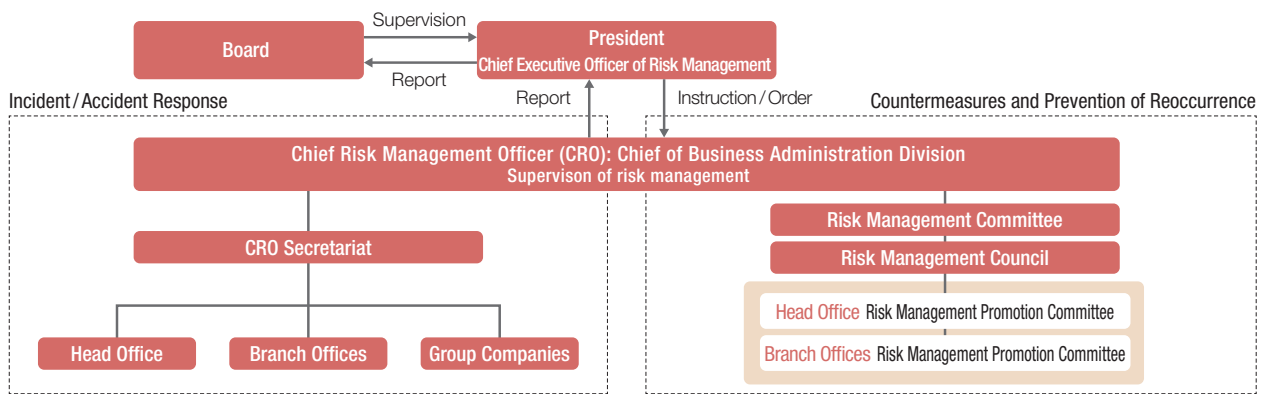
Risk Management / Compliance

At Taisei Corporation, we have formulated a Risk Management Policy and built systems to implement risk management across the entire Company in order to respond to risk escalation following changes in the business environment.

In terms of handling risk management, we set forth the Basic Risk Management Rules and we identify and select risks associated with our business activities, such as quality and technology, laws and regulations, compliance, information, safety, labor and employment, the environment, natural disasters and others, to reflect these risks in the operational plans of each division. We work on risk management through the PDCA cycle of reviewing, implementing, evaluating, and improving risk countermeasures.

In particular, in the event of an incident or accident that could have a serious impact on corporate management, information is centrally handled by the CRO (Chief Risk Management Officer) Secretariat, and reports are made to the President, who are the chief executives of risk management, and the Board. These risks include elements related to environmental, social and governance (ESG) such as infectious diseases, safety risks, and bribery. We share this information with the Risk Management Committee and the Risk Management Council in order to prevent recurrence of such risks, and implement effective risk management across the whole company.

Company-Wide Risk Management System



 **Fundamental Policy to Enhance Operational Compliance Systems/Risk Management Policy**
<https://www.aisei.co.jp/english/profile/philosophy/policies/>

Risk Management System

● **Promotion of Company-Wide Risk Management System**
 At Taisei Corporation, we work to continuously operate the risk management system to appropriately identify and manage risks associated with business operations. Under the risk management system, the President is the Chief Executive Officer of Risk Management and the Chief of the Business Administration Division serves as the Chief Risk Management Officer (CRO). Each year, we take into account the risks that became apparent during the current fiscal year to review the risk management for the following fiscal year through the PDCA cycle and verify the effectiveness of the risk management system.


Based on the Basic Risk Management Rules, each division of the Head Office, in cooperation with the branches, reviews and identifies all risks associated with their business activities and selects the “Head Office-governed risks.” The “Head Office-governed risks” are then narrowed down to risks that can possibly have a material impact especially on corporate management. Such risks are selected as “key company-wide risks” and are subject to risk management across the entire company. The “key company-wide risks” are determined by the CRO after deliberation by the Risk Management Committee headed by the

CRO. The President and the Board receive reports on the risks and confirm the operating status of the risk management system and maintain the effectiveness of the system.

● **Business and Other Risks**

Taisei Corporation has in place a system to prevent and evade risks and pursue corrective actions.

Risks that may possibly have a material impact on corporate management are reported to the Management Committee and the Board for comprehensively examining and determining the policy to handle such risks and reporting the policy under “Business and Other Risks” in the Securities Report.

 **Business and Other Risks**
 pp.80-83 Data Section

 **Information Disclosure Based on the Recommendations by TCFD**
 pp.37-39 Towards Sustainable Value Creation


● **Climate Change-Related Risks**

In terms of climate change-related risks, we specify and assess risks based on various scenarios created and promote initiatives in response to the TCFD Recommendations. (See p.37)

Initiatives for Business Continuity Planning (BCP)

To meet its responsibilities as a general construction company supporting the infrastructure for social and economic activities even in the event of a major disaster or accident, Taisei Corporation has established the Policy on Business Continuity in Times of Disaster in 2005 and aims to become a company that gains the trust of society. Based on this policy, we formulate the BCP to be implemented in times of disaster, conduct disaster training at least once a year, in which all officers and employees of the Company and the Group companies take part, and fully review and update the BCP based on the results of the training and other factors each time.

In recognition of our efforts to improve business continuity on a continuous and regular basis, we obtained certifications such as a “BCM rating.” In addition, since 2015 we have conducted annual joint training with the Japan Federation of Construction Contractors and other organizations to establish a company-wide recovery support system that can immediately respond to requests for assistance.

 **Policy on Business Continuity in Times of Disaster**
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Information Security Measures

In the construction industry, sharing information with a large number of stakeholders, such as clients and contractors (specialized contractors, etc.), is essential in the construction process. Therefore, the Taisei Group has set forth “Management of information and intellectual property rights” under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and has implemented various measures related to information security. We have also established the “Policy on the Protection of Personal Information” and the “Code of Conduct on the Use of Social Media.”

At Taisei Corporation, we have compiled a booklet containing minimum rules to be observed and have been providing education and guidance to all officers and employees as well as business partners. Since fiscal 2016, we have been working to strengthen the information security environment at our overseas sales offices and worksites. We also work to strengthen measures against the risk of information leaks associated with telecommuting (working from home).

In addition, in order to prevent and mitigate intellectual property risks such as infringements of rights and technology leaks that have a serious impact on corporate management, we implement thorough risk management in all business processes.

To respond to the increasingly serious risk of cyber attacks, we established the Taisei-Security Incident Response Team (SIRT) and work to collect the latest information on cyber attacks and take measures to prevent

cyber attacks in cooperation with external organizations through the Nippon CSIRT Association, which we joined in March 2013.

 **Policy on the Protection of Personal Information / Code of Conduct on the Use of Social Media**
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Response to Risks Related to Infectious Diseases and Pandemics

New coronavirus (COVID-19) infections have been spreading widely throughout the world since last year. In response, we have a system in place where the CRO Secretariat leads the effort of centralizing information on the infection situation, etc. at worksites in Japan and overseas and having the entire Company take a crisis response in a comprehensive and prompt manner. Furthermore, in November 2020, we realigned the contents of the conventional COVID-19 Response Guidelines and other guidelines so that they could be adopted for COVID-19 and any new infectious diseases and formulated the “BCP to be Implemented in the Advent of Infectious Disease.” Specific countermeasures against infectious diseases are implemented as needed in line with the policies of the state and local governments and the guidelines of the Japan Federation of Construction Contractors and others. At the same time, we promote telecommuting, split onsite working, staggered commuting and other such measures on a company-wide basis from the perspective of constraining the flow of people and reducing the frequency of contact among people.

In addition, from June 2021, with a view to smoothly implementing vaccinations and contributing to the curtailment of the COVID-19 pandemic, we began workplace vaccination for a total of approximately 30,000 workers wishing to be vaccinated. They included all officers and employees (including contract workers and dispatched workers) of the Taisei Group and their families and employees of cooperating companies entering our worksites nationwide.

● Major Infection-Prevention Measures at Taisei Corporation’s Office Work Departments and Worksites

- ① Ensuring handwashing, mask wearing, physical distancing with others and avoiding 3Cs (closed spaces, crowded places, close-contact settings)
- ② Temperature measurement and hand disinfection at entrances
- ③ Installation of acrylic partitions between seats
- ④ Prohibition of non-urgent business trips and travel across prefectures
- ⑤ Avoidance of holding and attending non-urgent gatherings (large meetings, etc.)
- ⑥ Continuing to implement telecommuting, split onsite working, staggered commuting, etc.
- ⑦ Active use of online meetings and ICT tools (avoiding business trips and face-to-face meetings)
- ⑧ Prohibition of eating and drinking among employees for social gathering purposes

Overview of Corporate Governance System

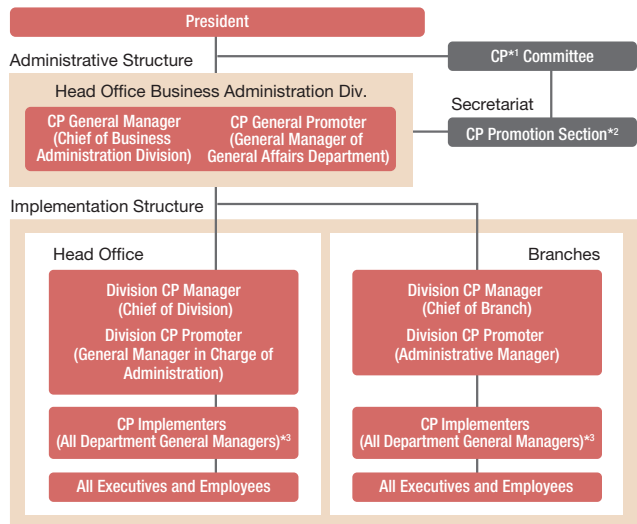
At the Taisei Group, we established the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole as a basic principle of corporate behavior and a standard of conduct and judgment that all officers and employees of the Taisei Group should actively practice and comply with.

These Action Guidelines serve as the norm for ensuring compliance. The Fundamental Policy to Enhance Operational Compliance Systems clearly sets out that Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. These Action Guidelines are also applied to all Group companies both in Japan and overseas.

Furthermore, as shown in the diagram on the right, the Company has appointed managers, promoters, and implementers in each division, and has established an internal compliance promotion system. In addition, the Compliance Committee, chaired by an external expert (lawyer), has been established as the Special Committee that responds to consultations with the President.

We are working to heighten the awareness among all officers and employees and further ensure compliance by establishing a system to set stricter disciplinary actions, etc. against any legal and other violations committed by officers and employees and to call for compliance with the Antimonopoly Act, implementing various measures based on the recommendations by the Compliance Committee and compliance training in each division, and taking other steps.

Compliance Promotion System



*1 CP: abbreviation of compliance

*2 Promotes and embeds compliance awareness among officers and employees. Also functions as a secretariat for the Compliance Committee.

*3 All heads of departments are appointed compliance implementers. The heads of each department educate and inform all officers and employees in their own departments about compliance.



Overall Principles of Conduct

<https://www.taisei.co.jp/english/profile/philosophy/>

System and Framework

● Compliance Education and Training

At Taisei Corporation, we conduct annual compliance training for all executives and employees to raise compliance awareness.

In addition, to strengthen compliance across the entire Group, we regularly hold meetings for legal affairs officers to share information and opinions on legal affairs issues with Group companies in Japan. We also hold group compliance hearings to confirm the status of compliance promotion and exchange opinions, and strive to ensure thorough compliance and promote communication.

Furthermore, compliance training is conducted annually for business partners (specialized contractors) and new employees of the Soyukai (Taisei Corporation's proprietary

organization for core subcontractors) to ensure thorough compliance throughout the supply chain.

■ Conduct Compliance Questionnaire (Annually)

The Taisei Group conducts the Compliance Questionnaire for all officers and employees with the aim of understanding the current status and issues related to compliance and further promoting compliance.

The results of the questionnaire are analyzed, measures are considered, reported to top management, and disclosed to all officers and employees through the Compliance Newsletter, and necessary measures are taken in cooperation with related departments to promote compliance.

Education/training	Themes covered in recent years
Compliance Newsletter (monthly)	<ul style="list-style-type: none"> ● Promotion of partnerships with suppliers ● Operational results of the Corporate Ethics Helpline ● The Action Guidelines for Taisei Personnel and the Taisei Group as a Whole ● Anti-corruption (entertainment and gifts) ● Results of compliance questionnaire, etc.
E-learning training (twice a year)	<ul style="list-style-type: none"> ● Bribery, harassment, and whistleblowing system ● Rules related to contact with other companies in the same industry and in-house leniency system, etc. ● Power harassment

Whistleblowing and Consultation System

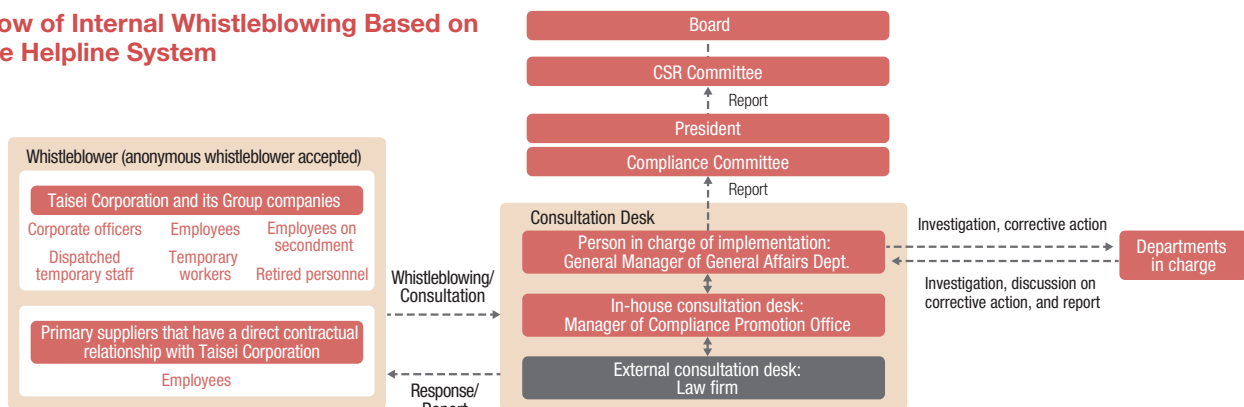
Based on the Whistleblower Protection Act, at the Taisei Group, we have established an internal whistleblowing system (the Corporate Ethics Helpline / Group Helpline / Whistleblowing System) in which executives and employees as well as external parties (employees of partner companies [primary suppliers] that have a direct contractual relationship with the Company) can report and consult on illegal acts including bribery and other corruption committed by executives and employees and acts that violate (or an act intended to violate) the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and we have established consultation desks in-house and at an external organization (a law firm). The system also allows anonymous reporting to obtain information clues on a wide range of violations. In addition, to enhance the effectiveness of the system, we

actively conduct educational activities such as distributing the Help Line Cards summarizing the outline of the system to all officers and employees, and introducing the contents and operational results of the system through e-learning and Compliance Newsletter.

In response to reports received, we will investigate the facts and take corrective measures as necessary. In doing so, we ensure that whistleblowers' information must be kept confidential and strictly follow internal rules to ensure that whistleblowers are not treated disadvantageously for reporting purposes.

Internal whistleblowing system / Operational results	FY2019	24 cases
	FY2020	28 cases

Flow of Internal Whistleblowing Based on the Helpline System



Contact Information

https://f.msgs.jp/webapp/form/10878_kcq_8/index.do

Anti-Corruption Policy

At Taisei Corporation, we support the anti-corruption principle of the United Nations Global Compact which we signed in 2018. Under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, we have set forth “Ensuring fair trade” and “Maintenance of proper relationships with individuals or entities engaged in politics and government.” This indicates that the Taisei Group and Taisei Personnel shall not offer or promise any unjust money or goods nor provide entertainment or gifts beyond the social norm to clients and individual officers and employees of the corporate client and shall not, in their dealings with politicians and government officials (including foreign government officials), engage in activities that would violate criminal laws, such as bribery, or activities that may be understood as such. We also conduct awareness-raising activities and training regarding prevention of bribery of politicians and government officials (including foreign government officials) for all officers and employees while engaging in activities with an awareness of not being involved in bribery or activities that may be understood as such at all times.



United Nations Global Compact

<https://www.unglobalcompact.org/>

Review of Compliance with the Group's Action Guidelines and Handling of Violations

The Taisei Group specifies in its Rules on Enforcement of the Compliance System for the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole (“Action Guidelines”) that, in the event that a regular employee or executive has violated the Group's Action Guidelines (including anti-corruption, etc.), the facts are reviewed carefully and rigorously by the Board of Directors or the Management Council, and disciplinary action is taken in accordance with in-house rules.

In the event of a serious violation of compliance against the Action Guidelines, we thoroughly implement measures to prevent the recurrence of the violation. We also strive to accurately ascertain the facts by investigating relevant factors, including related persons, course of events, nature and details of the violation, amount of damage, and impact on persons of interest, and then report to relevant authorities as necessary. The perpetrators are subject to necessary disciplinary action, including dismissal.

There were no cases subject to legal action, such as a fine or penalty due to corruption, in fiscal 2020. There were also no employee disciplinary actions and dismissals due to a violation of the Action Guidelines.

Verification of Compliance with Laws and Regulations (Guidance)

To ensure the legitimacy of bids, Taisei Corporation operates an in-house system whereby the heads of branch offices confirm that there are no inappropriate acts in the process of bidding operations, produce the documents, and keep all bids on file.

Every year, the legal department verifies the legitimacy of bids and checks compliance with the Construction Business Act, the Antimonopoly Act and the Subcontractors Protection Act.

Impartial and Fair Transactions

At Taisei Corporation, we have set forth “Promoting partnerships with subcontractors and suppliers” under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and declare establishing fair and reliable relationships with our partners in the supply chain and conduct transactions on an equal footing.

Furthermore, we have set out Measures for Dealing with Anti-Social Forces and Organizations, stipulating that we will take a resolute stance against anti-social forces and will reject illegitimate demands. In order to eliminate anti-social forces, we have included a condition in our contracts, including the basic contract for specialized subcontractors, declaring that the supplier is not an anti-social force and that if revealed otherwise, the contract may be canceled without notice.

In August 2020, we prepared and announced the Declaration of Partnership Building which incorporates prosperous coexistence for the entire supply chain, new collaboration regardless of the company’s scale and existing business relationships, and observance of “Promotion Standards” as defined in the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises. We disseminate our stance on impartial and fair transactions in connection with preventing corruption to employees of the Company and Group companies as well as to our suppliers, including sub-contractors and intermediaries.

We also cover impartial and fair transactions in our CSR Procurement Guidelines and work to reduce risks so as not to get involved in transactions with anti-social forces, corruption, bribery, and organizations engaging in inhumane labor.

 **Corporate Governance and Internal Controls**
<https://www.taisei.co.jp/english/profile/governance/>

Thorough Awareness of Structure of Values and Policies

We created a portable card for the Structure of Values and Policies which was restructured in 2010 and have worked to instill and firmly establish it. Since fiscal 2011, we have operated annual training on the Structure of Values and Policies based on an e-learning format in order to further spread and consolidate the Structure of Values and Policies while connecting it to social demands and in-house initiatives.

In fiscal 2020, we conducted an e-learning program for employees on the theme of the Structure of Values and Policies, the Taisei Spirit, and the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. The participation rate was 94%.

 **Structure of Values and Policies**
<https://www.taisei.co.jp/english/profile/philosophy/>

Tax Compliance

In August 2020, Taisei Corporation set forth its Tax Policy as a guideline to comply with laws and regulations concerning tax affairs and fulfilling its social responsibilities.

Tax Policy

At Taisei Corporation, we set forth the fulfillment of our social responsibilities by complying with applicable laws and regulations and in accordance with social norms under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole (“Action Guidelines”).

Based on the Action Guidelines, we set out the following Tax Policy as a guide to comply with laws and regulations concerning tax affairs and carry out our social responsibilities.

1. Compliance with Laws and Regulations

We will comply with the relevant laws and regulations concerning tax affairs at each country and each region where we are engaged in business activities on the basis of our Action Guidelines.

2. Proper Performance of Tax Obligations

We will duly perform the tax obligations subject to the laws and regulations concerning tax affairs.

3. Enhancing Awareness of Compliance with Tax Laws and Regulations

We will enhance the awareness of compliance with the tax laws and regulations through education regarding adequate tax practice and payment.

4. Relationship with Tax Authorities

We will endeavor to maintain the relationship of mutual trust with tax authorities through faithful and adequate dealing with tax affairs.

 **Tax Policy**
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Specific Measures for Compliance with the Antimonopoly Act

Taking the fact seriously that we were indicted on suspicion of violating the Antimonopoly Act in connection with the Linear Chuo Shinkansen construction project, we have implemented the measures indicated below based on deliberations by the Compliance Committee chaired by an external lawyer and resolution by the Board. We continued to operate and implement the measures below in fiscal 2020.

1. Revision and tightening of internal rules relating to contracts with competitors (September 2018)
2. Reinforcement of procedures to confirm the appropriateness of the bidding process (September 2018)
3. Implementation of e-learning for all officers and employees (implemented every fiscal year since fiscal 2018)
4. Implementation of training by an external lawyer for officers and employees in the sales departments and the technical departments that engage in operations related to taking orders (implemented every fiscal year since fiscal 2018)

Explanation and Analysis of Business Results

Fundamental Capital Policy

Taisei Corporation strives to maintain and improve its strong financial foundation in order to enable its stable and continuous growth.

Based on the presumption that the Company will maintain and improve such strong financial foundation, the Company recognizes the payout ratio and ROE as guidelines for capital policy, considers capital efficiency, and returns profits to stakeholders appropriately while positioning the payment of a long-term stable dividend as a fundamental policy.

Financial Results for Fiscal 2020 and Outlook for Fiscal 2021 and Other Data

Business performance for the period of the Medium-Term Business Plan (2018–2020) (Consolidated)



Cross-Shareholdings

(1) Policy on cross-shareholdings

In order to establish and strengthen long-term and stable relationships of mutual cooperation with its principal business partners, to enhance its competitiveness, and to improve its profitability, Taisei Corporation holds shares of such business partners as cross-shareholdings.

The Company's policy on cross-shareholdings is to sell such shares whose holding, as a result of review, the Board of Directors (the "Board") deems inconsistent with the policy because their holding is economically unreasonable from a medium-to long-term perspective and because their future prospects are dim. Thus, the Company believes that the number of shares held as cross-shareholdings will be reduced appropriately.

(2) Verification of the economic rationality of cross-shareholdings, etc. by the Board

The Board periodically verifies whether it is economically reasonable from a medium- to long-term perspective to keep any of the listed shares held as cross-shareholdings and whether their future outlook is bright by considering their consistency with the policy and in light of a quantitative comparison of capital costs and return risks.

(3) Criteria for the exercise of voting rights

The Company exercises its voting rights for cross-shareholdings appropriately from the viewpoint of whether holding them contributes to enhancing corporate value.

Overview of Business Results

During the fiscal year ended March 31, 2021, in view of the tremendous impact of the COVID-19 pandemic on the world economy, the Japanese economy continues to face difficulties because of such factors as the vulnerability of corporate earnings in non-manufacturing industry and prolonged uncertainty as to prospects for employment and employees' incomes. In the construction industry, although public investment has remained strong, private-sector capital investment fell significantly due to sluggish corporate performance, and construction investment has not recovered to the previous year's level.

Given this situation, the operating results of the Taisei Corporation Group were as follows.

Orders received in the Civil Engineering business and the Real Estate Development business increased. However, orders received in the Building Construction business decreased mainly because the Company received orders for several large-scale overseas construction projects in the previous fiscal year. Consequently, total orders received decreased 1.8% year on year to ¥1,650.6 billion.

Net sales decreased 15.5% year on year to ¥1,480.1 billion owing to lower net sales in the Civil Engineering business and the Building Construction business mainly because several large-scale construction projects were completed or peaked by the previous fiscal year.

Operating income decreased 22.2% year on year to ¥130.5 billion owing to lower gross profit in the Real Estate Development business, reflecting the sale of highly profitable properties in the previous fiscal year, in addition to lower net sales in the Civil Engineering business and the Building Construction business. Ordinary income decreased 21.6% year on year to ¥135.9 billion as non-operating income (expenses) was virtually unchanged from the previous fiscal year. Net income attributable to owners of parent decreased 24.2% year on year to ¥92.5 billion owing to deterioration of extraordinary income (losses) mainly because of the recording of reversal of allowance for losses on Antimonopoly Act in the previous fiscal year. Return on equity (ROE) decreased 5.0 percentage points from the previous fiscal year to 11.6%.

Results according to the reporting segment are as follows (the results for reporting segments include internal transactions between segments).

(1) Civil Engineering

In the Civil Engineering segment, net sales decreased 8.2% year on year to ¥450.7 billion mainly because several large-scale construction projects were completed or peaked by the previous fiscal year. Operating income decreased 21.4% to ¥56.0 billion owing to a decrease in gross profit on completed construction contracts due to a decline in the profit margin resulting from the completion of several highly profitable large-scale construction projects in the previous fiscal year in addition to lower net sales.

(2) Building Construction

Net sales in the Building Construction segment decreased 21.6% year on year to ¥960.6 billion mainly because several large-scale construction projects were completed or peaked by the previous fiscal year. Although the profit margin improved because certain large-scale construction projects whose profitability remained low in the previous fiscal year were completed in the fiscal year under review, operating income decreased 22.8% year on year to ¥63.8 billion owing to a decrease in gross profit on completed construction contracts in line with lower net sales.

(3) Real Estate Development

In the real estate industry, although the vacancy rate in the building leasing market is on an upward trend mainly in central Tokyo owing to office consolidation and office space reduction, etc., the overall condominium market continued to be strongly backed by growing interest in the quality of the residential environment.

Net sales of the Taisei Group in the Real Estate Development segment increased 12.3% year on year to ¥132.8 billion, because of the sale of properties developed by the Company and an increase in the number of office buildings delivered by consolidated subsidiaries. Operating income decreased 23.0% year on year to ¥9.6 billion reflecting a decline in gross profit of real estate development operations because of the sale of highly profitable properties by consolidated subsidiaries in the previous fiscal year.

(4) Other

Net sales decreased 4.0% year on year to ¥13.8 billion, and operating income decreased 4.6% to ¥1.1 billion.

Major new construction orders in fiscal period under review

Client	Project	Location
Japan Post Real Estate Co., Ltd.	(Tentative name) Construction work of Kuramae project	Tokyo
Centara Osaka Special Purpose Company	(Tentative name) Construction work of A site project in development project of Nanbanaka 2-chome	Osaka prefecture
Land Transport Authority of Singapore	Contract CR105, Design and Construction of Bored Tunnel between Aviation Park Station and Loyang Station for the Cross Island Line Phase 1 (CRL1)	Singapore
Japan Water Agency	Construction work of Nanma Dam	Tochigi Prefecture
Kyushu Kumamoto International Airport Co., Ltd.	(Tentative name) Construction work of Kumamoto Airport new building	Kumamoto Prefecture

Major construction projects completed in fiscal period under review

Client	Project	Location
Urban Renaissance Agency, East Japan Rental Housing Branch Office	Redevelopment project of Yotsuya station front area	Tokyo
Mizuho Financial Group, Inc. Japanese Bankers Association Mitsubishi Estate Co., Ltd.	(Tentative name) Marunouchi 1-3 Project	Tokyo
Ohtemachi142 special purpose company	(Tentative name) Ohtemachi 1-4-2 Project	Tokyo
Ministry of the Environment	Interim storage facility for FY2017 (Futaba district two) soil interim storage facility construction	Fukushima Prefecture
Ministry of Land, Infrastructure, Transport and Tourism Kanto Regional Development Bureau	Construction work of port of Tokyo Bay Port Road Nanboku Line No. 10 area 2 district connecting part and immersed tunnel (No. 7)	Tokyo

Orders received

Millions of Yen

Reporting segment	2020	2021
Civil Engineering	434,970	463,899
Building Construction	1,117,916	1,040,641
Real Estate Development	115,812	135,506
Others	11,351	10,580
Total	1,680,051	1,650,627

Net sales

Millions of Yen

Reporting segment	2020	2021
Civil Engineering	459,109	420,549
Building Construction	1,168,446	922,254
Real Estate Development	112,422	126,757
Others	11,351	10,580
Total	1,751,330	1,480,141

Notes:

1. In Orders received and Net sales, transactions between segments have been eliminated.
2. "Status of production" is not described because it is difficult to define production results of the Group.

Cash Flows

(1) Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥67.4 billion (versus ¥77.4 billion in the previous fiscal year), due mainly to ¥135.4 billion in income before income taxes.

The main factors behind the ¥9.9 billion decrease compared with the previous fiscal year included a decrease in accounts payable–other and lower income before income taxes despite an improvement in the balance of construction-related items mainly due to a decrease in trade receivables.

(2) Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥18.6 billion (versus ¥33.2 billion in net cash provided by investing activities in the previous fiscal year), due mainly to purchase of tangible fixed assets.

Cash inflows decreased ¥51.9 billion compared with the previous fiscal year mainly owing to an increase in time deposits.

(3) Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥37.3 billion (versus ¥66.6 billion in the previous fiscal year), due mainly to cash dividends paid and acquisition of treasury stock.

The main factors behind the ¥29.3 billion improvement included proceeds from issuance of bonds.

Accordingly, cash and cash equivalents at the end of the fiscal year under review amounted to ¥494.2 billion, up ¥11.6 billion over the previous fiscal year-end. The balance of interest-bearing debt for fund-raising purposes amounted to ¥219.0 billion, up ¥10.8 billion from the previous fiscal year. Of the interest-bearing debt for fund-raising purposes, non-recourse debt was ¥0.1 billion.

Financial Position

(1) Assets

Total assets were ¥1,870.6 billion, a decrease of 1.0% or ¥19.3 billion from the end of the previous fiscal year, principally due to a decrease in trade notes and accounts receivable (from completed construction contracts).

(2) Liabilities

Total liabilities were ¥1,026.2 billion, a decrease of 9.7% or ¥109.8 billion from the end of the previous fiscal year, mainly reflecting a decrease in accounts payable for construction contracts.

(3) Net Assets

Despite the acquisition of treasury stock, net assets amounted to ¥844.4 billion, an increase of 12.0% or ¥90.5 billion from the end of the previous fiscal year, principally due to recording of net income attributable to owners of parent and an increase in unrealized holding gains on securities, net of taxes, due to higher stock prices. Consequently, the equity ratio rose 5.2 percentage points to 44.9%.

Business and Other Risks

The main risks to which the businesses of the Taisei Corporation Group are exposed and that may have a material impact on decision-making of investors are described below. In the event that these risks materialize, the Group's business results, financial position, and social credibility may be adversely affected. The Group recognizes the possibility of the materialization of these risks and strives to avoid it and deal with such risks if they do materialize. Forward-looking statements herein are based on the judgment of the Group as of the end of the fiscal year ended March 31, 2021.

(1) Market Risk

1) Trend of the construction market

The domestic construction business represents a large proportion of the Group's business. Thus, in the event of sharp contraction of the Japanese construction market or dramatic change in the competitive environment, orders received, net sales, and gross profit of the construction business may decrease. In order to deal with such risk, the Group is promoting the renovation field, the engineering business and the real estate development business and is pursuing initiatives to expand the scope of business through M&A. Moreover, the Group is reinforcing management infrastructure in view of sustainability, including promoting development of technologies that will contribute to resolution of environmental and social issues, such as decarbonization, and innovation of production systems through digital transformation (DX).

2) Fluctuations in prices of materials

If prices of raw materials increase sharply and it is difficult to reflect such increases in contract prices, profitability of construction projects may deteriorate. In order to deal with such risk, the Group strives to reduce costs through centralized purchasing, international procurement, and other measures while monitoring and forecasting the trend of material prices and continuing initiatives to increase the accuracy of forecasts.

3) Asset holding risk

The Group holds assets that are valued based on market prices, such as real estate and securities (risk assets), because of the necessity for operating activities. Such assets may be impaired if their fair values decline. In order to deal with such risk, the Group has set a cap for the total of risk assets and periodically reviews assets held by the Group from the viewpoint of economic rationality so as to mitigate the risk.

4) Retirement benefit obligations

If fair value of pension assets declines and the assumptions for calculating retirement benefit obligations change, such as the investment yield and discount rate, retirement benefit expenses may increase. In order to deal with such risk, the Group has partly introduced a defined contribution pension plan so as to mitigate the risk.

5) Fluctuations in interest rates

If interest rates sharply increase, funding costs may increase. In order to deal with such risk, the Group employs financial instruments, such as interest rate swap derivatives, and reviews each fiscal year the amount raised and funding methods so as to mitigate the risk.

6) Risks of related or incidental businesses

The Group operates private finance initiatives (PFIs), leisure business, and other businesses related or incidental to the civil engineering business, the building construction business, and the real estate development business. As the project period is lengthy in many of these related or incidental

businesses, if the business environment greatly changes, business profitability may deteriorate. In order to deal with such risk, the Group reviews the business plans in response to change in the business environment so as to mitigate the risk.

(2) Legal Controls over the Civil Engineering Business and the Building Construction Business

The civil engineering business and the building construction business are subject to legal controls such as the Construction Business Act, the Building Standards Act, the Industrial Safety and Health Act, the Act for Promoting Proper Tendering and Contracting for Public Works, and the Anti-monopoly Act. Risks with the potential to have a particularly significant impact on the Group are as follows.

1) Risk of violation of the Construction Business Act and related laws and regulations

If the Group violates the Construction Business Act and other relevant laws and regulations and the competent authorities impose penalties on or issue guidance to the Group, the Group may be restricted from conducting operating activities. In order to deal with such risk, the Group thoroughly confirms in advance the requirements under the Construction Business Act and other relevant laws and regulations. Also, the Group conducts activities for raising awareness of its officers and employees and of specialized contractors and monitors their compliance statuses.

2) Risk of violation of the Anti-monopoly Act

The Group has established the Action Guidelines for Taisei Personnel and various other rules on compliance and strives to ensure thorough compliance. If the Group or its officer or employee is subject to criminal punishment or administrative disposition for violation of the Anti-monopoly Act due to personnel's miscomprehension or other reasons, the Group may be restricted from conducting operating activities. In order to deal with such risk, the Group has established internal rules concerning procedures to confirm the appropriateness of the bidding process, the internal whistleblowing system, and other systems so as to prevent violation.

In the event of violation of the Anti-monopoly Act, we will swiftly gather information and strive to accurately identify the situation and appropriately respond to the matter, while seeking advice and guidance of lawyers and other experts, as necessary. At the same time, we will formulate and thoroughly implement recurrence prevention measures. Moreover, the perpetrators are subject to strict disciplinary punishments based on the rules for disciplinary action.

3) Risk of Infringement of Intellectual Property Rights

If the Group's intellectual property rights for any construction technology or products and services related to buildings and facilities are infringed by others, opportunities for receiving

orders may be lost or litigation costs may be incurred. In order to deal with such risk, patent-related information is shared in a timely manner among the specialized departments. Moreover, internal training is carried out and awareness-raising activities are conducted, including periodic dissemination of information related to intellectual property rights, and the Group monitors its intellectual property rights to ensure their safeguarding.

If any right of the Group is infringed, we will issue warnings to the infringing party and take legal action, as necessary. Moreover, systems are in place for investigation and judgment by the specialized departments if there is concern about possible infringement of intellectual property rights of others by the Group.

(4) Risk of Inappropriate Financial Reporting

The Group has designed internal control systems to ensure the appropriateness of financial reporting. If financial reporting is inappropriate owing to personnel's miscomprehension or for other reasons, the Company may be delisted or be subject to rescission of approval to file a blue return (Japanese tax return system whereby filers can receive advantageous treatment in the calculation of income). In order to deal with such risk, the Group strives to ensure effectiveness of internal controls, including establishment of rules and manuals, monitoring of whether accounting processing is appropriately done in accordance with the manual, and awareness-raising education for accurate financial reporting.

In the event of inappropriate financial reporting, we will swiftly gather information and strive to accurately identify the situation. At the same time, information on cases of inappropriate financial reporting will be shared among the administrative departments and other related departments and the Group will strive to ensure thorough awareness of the importance of appropriate financial reporting. Moreover, the perpetrators are subject to strict disciplinary punishments based on the rules for disciplinary action.

(5) Risk related to Anti-social Forces

If the Group is approached by anti-social forces at a construction site etc. and engages in any transactions with such party owing to miscomprehension or for other reasons, social credibility of the Group may be damaged and the Group may be restricted from conducting operating activities. To deal with such risk, the Group has established a manual on combatting anti-social forces and strives to ensure thorough awareness of all the officers and employees about the Group's policy on combatting anti-social forces, including by emailing all officers and employees concerning this issue.

If anti-social forces make unreasonable demands to the Group, the Group swiftly reports to the police and other external organizations and implements systematic countermeasures. If it is revealed that a counterparty is an anti-social force after entering into a contract, the Group will consult the police, if necessary, and cancel the contract without delay.

(6) Risk Associated with Quality due to Construction Failure

The Group has formulated operational standards concerning quality management and construction technology and business process flows and is operating quality management systems. However, if construction failure occurs owing to non-compliance with the rules or miscomprehension of

engineers or workers or for other reasons and appropriate quality is not secured, additional costs associated with rework may be incurred and damages may be imposed on the Group. In order to deal with such risk, the Group thoroughly operates the quality management systems. At the same time, we strive to strengthen quality management capabilities of our officers and employees and of specialized contractors through such measures as worksite quality patrols and sharing of previous cases of construction failure.

(7) Risk of Design Flaw

The Group has formulated design management procedures, quality manuals, etc. and established design-related review systems. However, if a design flaw occurs owing to miscomprehension of personnel or for other reasons and customer requirements are not satisfied, additional costs associated with redesign and rework may be incurred and damages may be imposed on the Group. To deal with such risk, the Group has systematized design operations by establishing quality management systems, etc. and monitors the design processes.

(8) Risk of Process Delays

In the building construction business, the Group strives to ensure that construction periods under contracts are appropriate based on examination of preliminary construction plans etc. and implements thorough process management during construction. However, if delivery of buildings is delayed owing to an accident, trouble, labor shortage, or delay in procurement of raw materials and equipment, additional costs associated with acceleration of construction may be incurred and damages may be imposed on the Group. To deal with such risk, the Group has established a systematic management structure and strives to ensure thorough process management through early identification of the labor affairs situation and grasping of the progress status by means of patrols by the relevant divisions.

(9) Risk of Information Leakage and System Trouble

If leakage of personal information of the Group or customers occurs or system failure occurs owing to internal factors, such as loss or theft of personal computers or smart devices of the Group's officers and employees and operational miscomprehension, or owing to external factors, such as computer virus infection and cyber terrorism, costs may be incurred for countermeasures, damages may be imposed on the Group, and business processes may be delayed or interrupted. In order to deal with such risk, the Group ensures that its officers and employees and specialized contractors thoroughly comply with information handling rules, guidelines, manuals, etc. based on the information management regulatory regime. Other measures include continuous updating of antivirus software, introduction of highly reliable hardware, and implementation of data backup systems. Moreover, the Group has established an in-house Computer Security Incident Response Team (CSIRT) in order to reinforce its preventive measures.

In the event of information leakage or system trouble, the Group will strive to accurately identify the situation through centralization of information and appropriately deal with the matter. In the event of occurrence of a material electronic information security incident, the in-house CSIRT will work to minimize damage and achieve swift recovery.

(10) Risk of Large-scale Disasters

If a large-scale disaster occurs, the head office and branches may temporarily cease to function and business continuity of the Group may be put at risk. In order to deal with such risk, the Group has formulated a business continuity plan (BCP). For example, in the event of an earthquake of lower 6 intensity on the seven-point Japanese scale, the BCP will automatically come into effect, and the Group will swiftly establish the countermeasure headquarters to gather information on damage and conduct recovery work to restore damaged facilities.

Moreover, we have secured emergency power sources for the head office and branches and means of communication, established a system for collaboration with industry associations and specialized contractors, and periodically conduct large-scale disaster drills to mitigate the risk.

(11) Risk of the Spread of Infectious Diseases

If there is an epidemic such as COVID-19 or avian flu, and the Group's officers and employees, their family members, or workers of specialized contractors are infected and they become unable to work, business continuity of the Group may be put at risk. To deal with such risk, the Group has formulated a plan for countermeasures during the epidemic. As well as raising awareness of its officers and employees and specialized contractors, the Group stockpiles sanitizers, face masks, and other personal protective equipment necessary.

During the current COVID-19 pandemic, the Group has introduced staggered working hours, shift work, and teleworking (working from home). We have suspended non-essential and non-urgent business trips, restricted overseas travel, and minimized face-to-face participation in internal and external meetings. We will implement countermeasures flexibly while monitoring the situation.

(12) Risk associated with the Working Environment

If the Group is unable to fulfill the employer's obligation concerning the working environment and working conditions of employees, the Group may be held responsible for violation of laws and regulations and a claim for damages may be filed against the Group. In order to deal with such risk, the Group has put in place systems for appropriate attendance management and health management. Moreover, in order to prevent excessive work, we implement measures, such as review of staffing and contents and allocation of tasks, and we also encourage employees to take holidays so that the total working hours will be appropriate.

(13) Risk of Violation of Environmental Laws and Regulations

In the event of violation of environmental laws and regulations at construction sites etc. of the Group, the Group may be subject to criminal punishment or administrative disposition or a claim for damages may be filed against the Group. In order to deal with such risk, the Group has established and operates an environmental management system and checks the compliance status through environmental patrols.

(14) Risk of Accidents

In the event of occurrence of a major accident involving people and/or structures at construction sites of the Group, profitability of construction projects may deteriorate because

of compensation for victims and incurring of additional construction costs and the Group may be restricted from conducting operating activities owing to ineligibility to participate in bids.

In order to deal with such risk, the Group is promoting a health and safety management structure based on the occupational health and safety management system. Moreover, we provide health and safety education and guidance to officers and employees and specialized contractors to prevent occurrence of accidents.

(15) Credit Risk

If a customer's creditworthiness becomes an issue before the Group receives the fee for a construction project, collection of the construction fee may be delayed or the construction fee may become uncollectible.

In order to deal with such risk, the Group has put in place a systematic project risk management structure and strives to implement thorough credit management based on specific evidence and objective evaluation.

(16) Contract Risk

If a contract with terms and conditions significantly disadvantageous to the Group is concluded for a project by reflecting the demand of the owner or the related parties or owing to the lack of personnel's understanding of the contract terms and conditions, profitability of the project may deteriorate owing to bearing of excessive obligations and the construction fee may become uncollectible. To deal with such risk, the Group has designed and operates a systematic contract risk management structure encompassing the sales phase. As well as thorough application of the screening rules for disadvantageous terms and conditions, the Group requests external experts to evaluate countermeasures, as necessary. Moreover, we provide in-house training on decision-making rules etc. to sales personnel so as to mitigate the risk.

(17) Country Risk

The Group operates globally. In the event of terrorism, war, riot, etc. and/or deterioration of the political situation of a country, business continuity of the Group may be put at risk. Moreover, if a contract with terms and conditions significantly disadvantageous to the Group is concluded owing to the lack of understanding of local law and commercial customs, profitability of the project may deteriorate owing to bearing of excessive obligations and the construction fee may become uncollectible.

In order to deal with such risk, with respect to business continuity, the Group strives to establish means to ensure the safety of its officers and employees and a crisis management system in readiness for an emergency and also collaborates with the Japanese government, the local embassy of Japan, external experts, and other parties, as necessary. With respect to contractual risk, as well as thorough application of the screening rules, the Group continuously checks the status of fulfillment of contractual terms and conditions after conclusion of a contract in order to mitigate risk.

In the event of occurrence of country risk, we will strive to accurately identify the situation through centralization of information and appropriately deal with the matter.

CONSOLIDATED BALANCE SHEETS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 2020 AND 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 482,723	¥ 494,308	\$ 4,464,890
Notes and accounts receivable, trade (Note 4)	615,037	539,838	4,876,145
Cost on uncompleted contracts	54,857	51,250	462,921
Cost on development projects in progress	105,488	119,828	1,082,360
Other inventories	3,096	2,888	26,086
Other current assets	37,989	33,029	298,338
Allowance for doubtful accounts	(167)	(128)	(1,156)
Total current assets	1,299,023	1,241,013	11,209,584
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Notes 9, 15 and 18)	146,673	149,827	1,353,329
Machinery, vehicles and equipment (Notes 15 and 18)	60,617	63,430	572,938
Land (Notes 9, 15, 16 and 18)	120,572	120,411	1,087,625
Construction in progress	685	2,781	25,120
Subtotal	328,547	336,449	3,039,012
Accumulated depreciation	(124,147)	(130,250)	(1,176,497)
Total tangible fixed assets	204,400	206,199	1,862,515
Intangible fixed assets (Note 15)	14,289	14,807	133,746
Investments and other assets:			
Investment securities (Notes 4, 5 and 6)	317,622	364,029	3,288,131
Net defined benefit asset (Note 10)	13,205	11,671	105,420
Deferred income tax assets (Note 8)	12,747	3,367	30,413
Other assets (Notes 6 and 13)	30,220	31,231	282,096
Allowance for doubtful accounts	(1,510)	(1,695)	(15,310)
Total investments and other assets	372,284	408,603	3,690,750
Total fixed assets	590,973	629,609	5,687,011
Total assets	¥ 1,889,996	¥ 1,870,622	\$ 16,896,595

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Current liabilities:			
Notes and accounts payable, trade (Note 4)	¥ 491,569	¥ 376,100	\$ 3,397,164
Short-term loans (Notes 4 and 7)	58,401	63,821	576,470
Current portion of long-term debt (Notes 4 and 7)	39,789	25,819	233,213
Income taxes payable	31,956	18,260	164,935
Advances received and progress billings on uncompleted contracts	121,646	173,361	1,565,902
Deposits received (Note 4)	146,540	141,861	1,281,375
Allowance for warranty on completed contracts	3,605	2,395	21,633
Allowance for losses on construction contracts (Note 15)	2,270	2,105	19,014
Other current liabilities	61,662	37,425	338,045
Total current liabilities	957,438	841,147	7,597,751
Long-term liabilities:			
Long-term debt (Notes 4 and 7)	110,606	130,334	1,177,256
Deferred income tax liabilities (Note 8)	241	14,530	131,244
Deferred income tax liabilities for revaluation of land (Notes 8 and 16)	3,280	3,275	29,582
Retirement benefits for directors and audit & supervisory board members	437	496	4,480
Provision for share-based remuneration for directors	—	39	352
Allowance for environmental spending	2	2	18
Net defined benefit liability (Note 10)	45,045	17,899	161,675
Other long-term liabilities	19,031	18,480	166,922
Total long-term liabilities	178,642	185,055	1,671,529
Total liabilities	1,136,080	1,026,202	9,269,280
Net assets (Notes 11 and 19):			
Shareholders' equity:			
Common stock			
Authorized: 440,000,000 shares			
Issued: 224,541,172 shares	122,742	122,742	1,108,680
Capital surplus	60,199	60,199	543,754
Retained earnings	556,305	621,569	5,614,389
Less: Treasury stock, at cost (Note 21)	(65,516)	(85,917)	(776,054)
Total shareholders' equity	673,730	718,593	6,490,769
Accumulated other comprehensive income:			
Unrealized holding gains on securities, net of taxes	74,536	103,216	932,310
Deferred losses on hedging derivatives, net of taxes (Note 13)	(44)	(16)	(145)
Revaluation reserve for land (Note 16)	1,231	1,224	11,056
Foreign currency translation adjustments	(3,165)	(3,848)	(34,758)
Remeasurements of defined benefit plans, net of taxes (Note 10)	3,870	21,675	195,782
Total accumulated other comprehensive income	76,428	122,251	1,104,245
Non-controlling interests:	3,758	3,576	32,301
Total net assets	753,916	844,420	7,627,315
Total liabilities and net assets	¥ 1,889,996	¥ 1,870,622	\$ 16,896,595

CONSOLIDATED STATEMENTS OF INCOME

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Revenue:			
Net sales (Note 15):			
Construction contracts	¥ 1,612,498	¥ 1,326,663	\$ 11,983,226
Real estate development (and other) (Note 9)	138,833	153,479	1,386,316
	1,751,331	1,480,142	13,369,542
Costs and expenses (Note 15):			
Cost of sales (Note 17)	1,492,654	1,261,344	11,393,226
Selling, general and administrative expenses (Note 17)	90,922	88,282	797,416
	1,583,576	1,349,626	12,190,642
Operating income (Note 15)	167,755	130,516	1,178,900
Other income (expenses):			
Interest and dividend income	5,221	4,947	44,684
Foreign exchange gains	87	839	7,578
Investment gain on equity method	1,070	278	2,511
Interest expenses	(1,112)	(970)	(8,761)
Provision of allowance for doubtful accounts	(79)	(215)	(1,942)
Taxes and dues	(222)	(114)	(1,030)
Gains on sales of tangible fixed assets	1,185	7	63
Gains on sales of investment securities (Note 5)	497	1,771	15,997
Reversal of allowance for losses on Anti-Monopoly Act	3,043	—	—
Impairment losses on fixed assets (Notes 9, 15 and 18)	(1,338)	(324)	(2,926)
Loss on disposal of fixed assets	(78)	(594)	(5,365)
Write-down of marketable and investment securities (Note 5)	(1,502)	(1,159)	(10,469)
Other, net (Note 5)	258	435	3,929
	7,030	4,901	44,269
Income before income taxes	174,785	135,417	1,223,169
Income taxes (Note 8):			
Current	(51,474)	(39,649)	(358,135)
Deferred	(1,127)	(3,171)	(28,642)
	(52,601)	(42,820)	(386,777)
Net income	122,184	92,597	836,392
Net income (loss) attributable to non-controlling interests	(96)	(43)	(388)
Net income attributable to owners of parent	¥ 122,088	¥ 92,554	\$ 836,004

	Yen	U.S. Dollars (Note 1)
Amounts per share of common stock:		
Net income (Note 19)	¥ 573.14	\$ 4.00
Diluted net income (Note 19)	—	—
Cash dividends applicable to the year (Note 11)	130.00	1.18

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Net income	¥ 122,184	¥ 92,597	\$ 836,392
Other comprehensive income (Note 20):			
Unrealized holding gains on securities, net of taxes	(34,243)	28,684	259,091
Deferred gains (losses) on hedging derivatives, net of taxes	1	6	54
Foreign currency translation adjustments	236	(711)	(6,422)
Remeasurements of defined benefit plans, net of taxes	(1,881)	17,811	160,880
Share of other comprehensive income of associates accounted for by the equity method	46	(83)	(750)
Total other comprehensive income	(35,841)	45,707	412,853
Comprehensive income	¥ 86,343	¥ 138,304	\$ 1,249,245
Comprehensive income attribute to:			
Owners of parent	¥ 86,182	¥ 138,384	\$ 1,249,968
Non-controlling interests	161	(80)	(723)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

Millions of Yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2019	¥ 122,742	¥ 60,199	¥ 465,127	¥ (37,503)	¥ 610,565
Dividends	—	—	(29,004)	—	(29,004)
Net income attributable to owners of parent	—	—	122,088	—	122,088
Acquisition of treasury stock	—	—	—	(28,013)	(28,013)
Sale of treasury stock	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	(2,476)	—	(2,476)
Changes of scope of consolidation	—	—	570	—	570
Changes other than shareholders' equity, net	—	—	—	—	—
Balance at March 31, 2020	¥ 122,742	¥ 60,199	¥ 556,305	¥ (65,516)	¥ 673,730
Dividends	—	—	(27,297)	—	(27,297)
Net income attributable to owners of parent	—	—	92,554	—	92,554
Acquisition of treasury stock	—	—	—	(20,401)	(20,401)
Sale of treasury stock	—	(0)	—	0	0
Reversal of revaluation reserve for land	—	—	7	—	7
Changes of scope of consolidation	—	—	—	—	—
Changes other than shareholders' equity, net	—	—	—	—	—
Balance at March 31, 2021	¥ 122,742	¥ 60,199	¥ 621,569	¥ (85,917)	¥ 718,593

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2020	\$ 1,108,680	\$ 543,754	\$ 5,024,885	\$ (591,780)	\$ 6,085,539
Dividends	—	—	(246,563)	—	(246,563)
Net income attributable to owners of parent	—	—	836,004	—	836,004
Acquisition of treasury stock	—	—	—	(184,274)	(184,274)
Sale of treasury stock	—	(0)	—	0	0
Reversal of revaluation reserve for land	—	—	63	—	63
Changes of scope of consolidation	—	—	—	—	—
Changes other than shareholders' equity, net	—	—	—	—	—
Balance at March 31, 2021	\$ 1,108,680	\$ 543,754	\$ 5,614,389	\$ (776,054)	\$ 6,490,769

The accompanying notes are an integral part of these statements.

Millions of Yen

Unrealized holding gains on securities, net of taxes	Deferred losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
¥ 108,782	¥ (74)	¥ (1,245)	¥ (3,343)	¥ 5,738	¥ 109,858	¥ 1,967	¥ 722,390
—	—	—	—	—	—	—	(29,004)
—	—	—	—	—	—	—	122,088
—	—	—	—	—	—	—	(28,013)
—	—	—	—	—	—	—	—
—	—	2,476	—	—	2,476	—	—
—	—	—	—	—	—	—	570
(34,246)	30	—	178	(1,868)	(35,906)	1,791	(34,115)
¥ 74,536	¥ (44)	¥ 1,231	¥ (3,165)	¥ 3,870	¥ 76,428	¥ 3,758	¥ 753,916
—	—	—	—	—	—	—	(27,297)
—	—	—	—	—	—	—	92,554
—	—	—	—	—	—	—	(20,401)
—	—	—	—	—	—	—	0
—	—	(7)	—	—	(7)	—	—
—	—	—	—	—	—	—	—
28,680	28	—	(683)	17,805	45,830	(182)	45,648
¥ 103,216	¥ (16)	¥ 1,224	¥ (3,848)	¥ 21,675	¥ 122,251	¥ 3,576	¥ 844,420

Thousands of U.S. Dollars (Note 1)

Unrealized holding gains on securities, net of taxes	Deferred losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
\$ 673,254	\$ (397)	\$ 11,119	\$ (28,588)	\$ 34,956	\$ 690,344	\$ 33,945	\$ 6,809,828
—	—	—	—	—	—	—	(246,563)
—	—	—	—	—	—	—	836,004
—	—	—	—	—	—	—	(184,274)
—	—	—	—	—	—	—	0
—	—	(63)	—	—	(63)	—	—
—	—	—	—	—	—	—	—
259,056	252	—	(6,170)	160,826	413,964	(1,644)	412,320
\$ 932,310	\$ (145)	\$ 11,056	\$ (34,758)	\$ 195,782	\$ 1,104,245	\$ 32,301	\$ 7,627,315

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
	2020	2021	2021
Cash flows from operating activities:			
Income before income taxes	¥ 174,785	¥ 135,417	\$ 1,223,169
Depreciation and amortization	9,885	10,459	94,472
Impairment losses on fixed assets	1,338	324	2,926
Increase (decrease) in allowance for doubtful accounts	(213)	146	1,319
Increase (decrease) in allowance for warranty on completed contracts	131	(1,209)	(10,920)
Increase (decrease) in allowance for losses on construction contracts	(492)	(165)	(1,490)
Increase (decrease) in net defined benefit liability	3,021	(27,143)	(245,172)
Decrease (increase) in net defined benefit asset	(1,818)	1,535	13,865
Increase (decrease) in remeasurements of defined benefit plans, net of taxes	(1,881)	17,811	160,880
Increase (decrease) in allowance for losses on Anti-Monopoly Act	(3,043)	—	—
Interest and dividend income	(5,221)	(4,947)	(44,684)
Interest expenses	1,112	970	8,761
Foreign exchange losses (gains)	(87)	(839)	(7,578)
Write-down of marketable and investment securities	1,502	1,159	10,469
Losses (gains) on sales of marketable and investment securities	(452)	(1,620)	(14,633)
Losses (gains) on sales of tangible fixed assets	(1,185)	(7)	(63)
Losses on disposal of fixed assets	78	594	5,365
Investment losses (gains) on equity method	(1,070)	(278)	(2,511)
Decrease (increase) in trade receivables	(72,326)	75,090	678,259
Decrease (increase) in cost on uncompleted contract	(12,382)	3,600	32,517
Decrease (increase) in cost on development projects in progress	(8,734)	(14,780)	(133,502)
Decrease (increase) in other inventories	1,854	167	1,508
Decrease (increase) in accounts receivables - other	10,955	6,968	62,939
Increase (decrease) in trade payables	(16,383)	(115,304)	(1,041,496)
Increase (decrease) in advances received and progress billings on uncompleted contracts	21,866	51,811	467,988
Increase (decrease) in deposits received	(8,607)	(4,674)	(42,218)
Increase (decrease) in accounts payable - other	22,866	(18,654)	(168,494)
Other, net	2,241	(1,448)	(13,079)
	117,740	114,983	1,038,597
Cash received (paid) during the year for:			
Interest and dividend received	5,966	6,142	55,478
Interest paid	(1,106)	(981)	(8,861)
Income taxes paid	(39,039)	(52,650)	(475,567)
Penalty payments associated with Anti-Monopoly Act	(6,086)	—	—
Net cash provided by (used in) operating activities	77,475	67,494	609,647
Cash flows from investing activities:			
Decrease (increase) in time deposits	30,166	32	289
Purchase of tangible and intangible assets	(12,991)	(12,725)	(114,940)
Proceeds from sale of tangible and intangible assets	23,435	78	705
Purchase of marketable and investment securities	(15,005)	(12,075)	(109,069)
Proceeds from sale of marketable and investment securities	14,789	5,196	46,933
Acquisition of shares of subsidiaries resulting in changes of scope of consolidation	(7,114)	—	—
Other, net	(19)	811	7,326
Net cash provided by (used in) investing activities	33,261	(18,683)	(168,756)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	(1,523)	5,420	48,957
Proceeds from long-term loans	23,100	25,000	225,815
Repayment of long-term loans	(31,027)	(29,533)	(266,760)
Proceeds from long-term non-recourse loans	181	—	—
Repayment of long-term non-recourse loans	(8)	(15)	(136)
Proceeds from issuance of bonds	—	19,882	179,586
Redemption of bonds	—	(10,000)	(90,326)
Acquisition of treasury stock	(28,013)	(20,401)	(184,274)
Cash dividends paid, including those to minority interest	(29,004)	(27,297)	(246,563)
Other, net	(353)	(399)	(3,604)
Net cash provided by (used in) financing activities	(66,647)	(37,343)	(337,305)
Effect of exchange rate changes on cash and cash equivalents	244	151	1,364
Net increase (decrease) in cash and cash equivalents	44,333	11,619	104,950
Cash and cash equivalents at beginning of year	437,585	482,655	4,359,633
Increase (decrease) in cash and cash equivalents resulting from changes of scope of consolidation	737	—	—
Cash and cash equivalents at end of year (Note 3)	¥ 482,655	¥ 494,274	\$ 4,464,583

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Taisei Corporation (the "Company") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information, included in the statutory Japanese language consolidated financial statements but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥ 110.71 to U.S. \$ 1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation and equity method

The Company prepares the consolidated financial statements including the accounts of the Company and those of its majority-owned subsidiaries, whether directly or indirectly controlled. The consolidated financial statements include the accounts of 43 subsidiaries for the year ended March 31, 2021 (42 subsidiaries for the year ended March 31, 2020).

Newly established TAISEI DEVELOPMENT HANOI was included in the scope of consolidation.

Exclusion of certain small-scale subsidiaries from the scope of consolidation does not have material impact on the consolidated financial statements.

All significant intercompany transactions, account balances and unrealized gains or losses have been eliminated in consolidation.

The financial statements of non-consolidated subsidiaries, and investments in affiliated companies in which the Group does not have control but has the ability to exercise significant influence, are accounted for by the equity method.

The financial statements in 17 non-consolidated subsidiaries, mainly consist of EHIME HOSPITAL PARTNERS Co., Ltd. and OMIYA CROSS POINT Co., Ltd. are accounted for by the equity method for the year ended March 31, 2021.

Investments in 37 affiliated companies are also accounted for by the equity method for the year ended March 31, 2021 (41 affiliated companies for the year ended March 31, 2020).

Newly established 3 companies and other 1 company being increased in importance were included in the scope of equity method.

8 liquidated companies were excluded from the scope of equity method.

Exclusion of certain small-scale non-consolidated subsidiaries and the affiliated company from the scope of equity method does not have material effect on the consolidated financial statements.

All consolidated subsidiaries other than 20 consolidated subsidiaries have the same balance sheet date, March 31, corresponding with that of the Company. As for the 20 consolidated subsidiaries whose fiscal year ends at December 31, their financial statements as of December 31 are used in preparation of the consolidated financial statements. Significant transactions, if any, in the period from January 1 to March 31 have been adjusted in the consolidated financial statements.

(b) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of the investments in subsidiaries, the assets and liabilities of the subsidiaries including the portion allocated to non-controlling interests are recorded based on their fair value at the time the Company acquired control of the respective subsidiaries.

(c) Goodwill included in Intangible assets

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for by the equity method are recognized as goodwill (negative goodwill, if credit balance), and amortized principally over the estimated useful lives or less than twenty years on a straight-line basis. However, immaterial goodwill is charged to income in the year of acquisition. Negative goodwill is credited to income upon occurrence.

(d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. The resulting exchange gains and losses are reflected in the consolidated statements of income. All revenues and expenses associated with foreign currencies are translated at rates of exchange prevailing when such transactions are made.

The financial statements of consolidated foreign subsidiaries and affiliated companies under the equity method are translated into Japanese yen at exchange rates prevailing at the respective year-end dates except for shareholders' equity accounts, which are translated at historical rates. The resulting foreign currency translation adjustments are presented in accumulated other comprehensive income in the net assets section of the consolidated balance sheets.

(e) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the date of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

(f) Securities

Securities held by the Group are classified into (a) debt securities intended to be held to maturity, (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities that are not classified in any of the categories above (hereafter "available-for-sale securities").

Debt securities intended to be held to maturity are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for by the equity method are stated at moving-average cost. Available-for-sale securities with available fair market value is stated at fair market value. Unrealized holding gains and losses on securities, net of taxes are reported as a separate component of accumulated other comprehensive income in the net assets section. Realized gains and losses on sales of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

(g) Revenue Recognition of Construction

Revenue associated with construction contracts of which the outcome can be reliably estimated is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for by the completed-contract method. The percentage of completion at the end of the reporting period is determined by the percentage of the cost incurred to the estimated total costs.

(h) Inventories

The Company and its certain subsidiaries develop real estate projects on their own account. Cost on development projects in progress are mainly stated at the lower of cost based on the specific-identification cost method or net realizable value. For this purpose, the cost includes the purchase cost of land, incidental costs, direct development costs and (in relation to certain developments by one of the subsidiaries) interest expenses.

Cost on uncompleted contracts is mainly stated at cost based on the specific-identification cost method.

(i) Tangible Fixed Assets

Tangible fixed assets except for buildings and structures are recorded at cost and depreciated principally by the declining-balance method over the standard useful lives prescribed in the Corporation Tax Law. Buildings and structures are principally depreciated by the straight-line method.

(j) Accounting for Lease Transactions

Finance leases, except for certain immaterial or short-term finance leases in which ownership is not transferred to lessee, are capitalized. Capitalized leased assets whose ownership is transferred to lessee are depreciated by the same method of depreciation applied to property, plant and equipment. Capitalized leased assets whose ownership is not transferred to lessee are depreciated to a residual value of zero by the straight-line method over a useful life period corresponding to the lease contract period.

(k) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until related losses or gains on hedged items are recognized.

If interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contract were executed.

(l) Income Taxes

The Company and its wholly owned domestic subsidiaries apply the Consolidated Taxation System.

(m) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to reserve for probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

(n) Allowance for Warranty on Completed Contracts

Allowance for warranty on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain periods.

(o) Allowance for Losses on Construction Contracts

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

(p) Retirement Benefits for Directors and Audit & Supervisory Board Members

Retirement benefits for directors and audit & supervisory board members of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

(q) Provision for share-based remuneration for directors

Provision for share-based remuneration for directors is provided based on estimated amount of share-based remuneration obligation at the end of the fiscal year in accordance with "Officers' Share Benefit Regulation".

(r) Allowance for Environmental Spending

Allowance for environmental spending is provided based on estimated costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is obligated to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(s) Accounting Method for Retirement Benefit

Net defined benefit liability is provided for severance and retirement benefits for employees and executive officers of the Company's certain consolidated subsidiaries based on estimated amounts of projected benefit obligations and plan assets at the year-end.

In calculating projected benefit obligations, the method of attributing estimated amounts of retirement benefits to the period until this fiscal year is based on the benefit formula basis.

Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent fiscal year (some consolidated subsidiaries amortize actuarial gains and losses from the current fiscal year) using the straight line method (some consolidated subsidiaries use the declining balance method) over 1-10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

(t) Net Income and Cash Dividends per Share

Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year. Cash dividends per share shown for each year represent dividends declared as applicable to the respective years.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no impact on previously reported results of operations or retained earnings.

(v) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by “Act on Partial Amendment of the Income Tax Act and Others” (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company and part of its domestic subsidiaries, in accordance with the treatment in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), did not apply the provisions in paragraph 44 of “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.

(w) Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply The Company and certain consolidated subsidiaries do not recognize the Construction Joint Venture (the “JV”) as an independent accounting unit, but incorporate it into their accounting in the way of recording the amount of revenue and cost of sales associated with construction contracts according to the interests held in the JV.

(x) Significant Accounting Estimates

- Revenue recognition to construction contracts (the “Revenue”) in applying the percentage-of-completion method

(1) Carrying amounts in the current year’s consolidated financial statements

The amount of the Revenue in applying the percentage-of-completion method in the consolidated financial statements was ¥ 1,334,601 million and ¥ 1,083,388 million (\$ 9,785,819 thousand), for the fiscal year ended March 31, 2020 and 2021, respectively.

(2) Information on the nature of significant accounting estimates for identified items

The amount of the Revenue in applying the percentage-of-completion method is based on the reasonably estimated amount of total revenue, the reasonably estimated amount of total construction costs and the reasonably estimated percentage of completion at the end of the current fiscal year. Since the estimates involve a high degree of uncertainty, in the case that estimates need to be revised, the Revenue may change and affect the results of following accounting periods.

(y) Accounting standard issued but not yet effective

The following standard and guidance were issued but are not yet effective

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 (revised March 31, 2020), March 30, 2018)

- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30 (revised March 26, 2021), March 30, 2018)

(1) Overview

The IASB and the FASB jointly developed and issued a converged Standard on the recognition of ‘Revenue from Contracts with Customers’ (IFRS 15 for IASB and Topic 606 for FASB.) in May, 2014. IFRS 15 will be applied from the fiscal year beginning on or after January 1, 2018 and Topic 606 will be applied from the fiscal year beginning after December 15, 2017. Under these circumstances, the ASBJ developed the converged standard for revenue recognition and issued the “Accounting Standard for Revenue Recognition” along with “Implementation Guidance on Accounting Standard for Revenue Recognition”.

In developing the ‘Accounting Standard for Revenue Recognition,’ the principal policy of the ASBJ is to incorporate the basic concept of IFRS 15 from the perspective of comparability between financial statements, as one way to establish consistency with IFRS 15. The ASBJ will add alternative treatments in the case that there are different accounting treatments prevalent in accounting practices in Japan that require consideration, to the extent that they do not impair comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)

- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

Financial instruments in “Accounting Standard for Financial Instruments”; and

Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

“Implementation Guidance on Disclosures about Fair Value Measurement” has been revised requiring disclosure of financial instruments classified by level in the fair value hierarchy.

(2) Effective date

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
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(z) Changes in presentation method

- Adoption of "Accounting Standard for Disclosure of Accounting Estimates"

The Company and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(aa) Additional information

- Performance-based share remuneration plan for directors

(1) Overview

The Company introduced the performance-based share remuneration plan "Board Benefit Trust (the "BBT")" for directors.

The Company's common stock are acquired through the BBT with money contributed by the Company (the "Stock"). The directors will have the Stock and the amounts converted at market value of the Stock which are provided through the BBT when directors retire in accordance with "Officers' Share Benefit Regulation".

(2) Shares held by the BBT

The shares held by the BBT are reported by the book value of the BBT (excluding the incidental expenses) as part of the treasury stock in the net assets. At the end of the fiscal year, the book value of treasury stock held by the BBT was ¥ 391 million and the number of the shares was 106 thousand shares.

- Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply

The Company and its subsidiaries adopted "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore "accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for" are disclosed.

3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash and time deposits	¥ 482,723	¥ 494,308	\$ 4,464,890
Less: Time deposits with maturities exceeding three months	(68)	(34)	(307)
Cash and cash equivalents	¥ 482,655	¥ 494,274	\$ 4,464,583

4. Financial Instruments

(1) Policies for using financial instruments

The Group restricts investments to the low risk assets such as deposits, and raise funds by the indirect finance such as loans from bank as well as by the direct finance such as issuing corporate bonds or commercial papers.

Derivative financial instruments are employed mainly for hedging fluctuation in interest rate and foreign currency exchange, not for speculation.

Receivables: trade notes and trade accounts are exposed to the credit risks of customers. In order to reduce such risks, the Group conducts strict credit examinations when orders are received, and afterward manage the receivables individually and make effort to detect reduction of credit risks early.

For investment securities which are mainly debt securities intended to be held to maturity and shares held to keep the relationship with business partners, the Group regularly monitors the fair value or financial positions of the invested companies, and revises the portfolio timely (except for debt securities intended to be held to maturity) considering the relationship with them.

Debts, trade payables: trade notes and trade accounts are debts mostly due within one year. Loans, commercial papers and bonds are primarily for working capital, and have maturity dates of five years or less. Although the loans or bonds issued at variable rates are exposed to interest rate fluctuation risk, the risk is hedged by derivative transactions (interest rate swap contracts).

The Group primarily utilizes derivative transactions related to interest rates in order to mitigate the fluctuation risk in interest rates or to reduce financing costs, and derivative transactions related to currency in order to mitigate the foreign exchange risk. These transactions are exposed to the fluctuation risk in interest rates and the foreign exchange risk. However, the Group is exposed to limited risk, because most of them are hedged by the corresponding transactions. They consider the credit risk to be low, because they conduct derivative transactions solely with reliable international financial institutions.

The Group executes and manages derivative transactions in accordance with internal rules. Their Finance Departments are responsible for conducting, evaluating transactions and managing related risks.

(2) Fair Value of Financial Instruments

Book value of the financial instruments was included in the consolidated balance sheet, the fair value of said items as of March 31, 2020 and 2021, was as follows. Items for which it is extremely difficult to calculate the fair value were not included in the following table (see "Note 2" below).

	Millions of Yen		
	2020		
	Book Value	Fair Value	Difference
(ASSETS)			
Cash and time deposits	¥ 482,723	¥ 482,723	¥ —
Notes and accounts receivable, trade	615,037	615,046	9
Investment securities			
Debt securities intended to be held to maturity	281	288	7
Available-for-sale securities	253,004	253,004	—
(LIABILITIES)			
Notes and accounts payable, trade	491,569	491,569	—
Short-term loans and long term loans due within one year	87,934	88,033	(99)
Long-term non-recourse loans due within one year	15	15	(0)
Straight bonds due within one year	10,000	10,040	(40)
Deposits received	146,540	146,540	—
Straight bonds	30,000	30,166	(166)
Long-term loans	80,038	80,572	(534)
Long-term non-recourse loans	158	174	(16)
[Derivative financial instruments (*)]	12	12	—

	Millions of Yen		
	2021		
	Book Value	Fair Value	Difference
(ASSETS)			
Cash and time deposits	¥ 494,308	¥ 494,308	¥ —
Notes and accounts receivable, trade	539,838	539,849	11
Investment securities			
Debt securities intended to be held to maturity	269	274	5
Available-for-sale securities	299,288	299,288	—
(LIABILITIES)			
Notes and accounts payable, trade	376,100	376,100	—
Short-term loans and long term loans due within one year	89,239	89,309	(70)
Long-term non-recourse loans due within one year	15	15	(0)
Straight bonds due within one year	—	—	—
Deposits received	141,861	141,861	—
Straight bonds	50,000	50,159	(159)
Long-term loans	79,621	80,219	(598)
Long-term non-recourse loans	143	157	(14)
[Derivative financial instruments (*)]	66	66	—

	Thousands of U.S. dollars		
	2021		
	Book Value	Fair Value	Difference
(ASSETS)			
Cash and time deposits	\$ 4,464,890	\$ 4,464,890	\$ —
Notes and accounts receivable, trade	4,876,145	4,876,244	99
Investment securities			
Debt securities intended to be held to maturity	2,430	2,475	45
Available-for-sale securities	2,703,351	2,703,351	—
(LIABILITIES)			
Notes and accounts payable, trade	3,397,164	3,397,164	—
Short-term loans and long term loans due within one year	806,061	806,693	(632)
Long-term non-recourse loans due within one year	135	135	(0)
Straight bonds due within one year	—	—	—
Deposits received	1,281,375	1,281,375	—
Straight bonds	451,630	453,067	(1,437)
Long-term loans	719,185	724,587	(5,402)
Long-term non-recourse loans	1,292	1,418	(126)
[Derivative financial instruments (*)]	596	596	—

(*) Note: The assets and liabilities are reported as net amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
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Note 1: The calculation method of the fair value of financial instrument and securities, derivative transactions
[ASSETS]

· Cash and time deposits and Notes and accounts receivable, trade

The fair value of these financial instruments is almost equivalent to the book value, due to the short term settlements; although, the fair value of receivables due after one year is based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks with respect to each receivables categorized by collection terms.

· Investment securities

The fair value of marketable securities is based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker or the present value of discounted cash flows.

See the notes on "5. Securities" for notes pertaining to securities categorized by the purposes for which they are held.

[LIABILITIES]

· Notes and accounts payable, trade, Short-term loans and Long term loans due within one year and Deposits received

The fair value of these financial instruments are almost equivalent to the book value, due to the short term settlements; although, the fair value of long-term loans due within one year is based on the same method as that for long-term loans.

· Long-term non-recourse loans due within one year, Long-term loans and Long-term non-recourse loans

The fair value of these financial instruments is based on the present value of discounted cash flows by the interest rate which may be applicable when the same kind of loans is conducted.

· Bonds

The fair value of marketable bonds is based on the quoted market value, otherwise the fair value of nonmarketable bonds is based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk.

[Derivative financial instruments]

See the notes on "13. Derivative Transactions".

Note 2: Financial instruments which are extremely difficult to calculate the fair value

Nonmarketable securities (book value amount to ¥ 64,337 million and ¥ 64,472 million (\$ 582,350 thousand) as of March 31, 2020 and 2021, respectively) are not included in the [ASSETS] Investment securities—Available-for-sale securities above, as it is extremely difficult to calculate the fair value because they have no quoted market prices and the future cash flows cannot be estimated.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturities as of March 31, 2020 and 2021 were as follows:

	Millions of Yen		
	2020		
	Due within one year	Due after one year but within five years	Due after five years but within ten years
Time deposits	¥ 482,344	¥ —	¥ —
Notes and accounts receivable, trade	606,082	8,955	—
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	12	260	9
Available-for-sale securities			
Government bonds	0	—	—
Total	¥ 1,088,438	¥ 9,215	¥ 9

	Millions of Yen		
	2021		
	Due within one year	Due after one year but within five years	Due after five years but within ten years
Time deposits	¥ 493,903	¥ —	¥ —
Notes and accounts receivable, trade	531,393	8,445	—
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	26	243	—
Available-for-sale securities			
Government bonds	21	—	—
Total	¥ 1,025,343	¥ 8,688	¥ —

	Thousands of U.S. Dollars		
	2021		
	Due within one year	Due after one year but within five years	Due after five years but within ten years
Time deposits	\$ 4,461,232	\$ —	\$ —
Notes and accounts receivable, trade	4,799,865	76,280	—
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	235	2,195	—
Available-for-sale securities			
Government bonds	190	—	—
Total	\$ 9,261,522	\$ 78,475	\$ —

Note 4: See the notes on “7. Short-term Loans and Long-term Debt” for notes pertaining to the aggregate annual maturities of long term debt after the consolidated balance sheet date.

5. Securities

(1) Following tables summarized acquisition costs, book value and fair value of securities with fair value available as of March 31, 2020 and 2021:

(a) Debt securities intended to be held to maturity:

· Securities with fair value exceeding book value

Type	Millions of Yen		
	2020		
	Book value	Fair value	Difference
Government bonds	¥ 281	¥ 288	¥ 7

Type	Millions of Yen			Thousands of U.S. Dollars		
	2021			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 269	¥ 274	¥ 5	\$ 2,430	\$ 2,475	\$ 45

Securities with fair value not exceeding book value were not applicable as of March 31, 2020 and 2021.

(b) Available-for-sale securities:

· Securities with book value exceeding acquisition costs

Type	Millions of Yen		
	2020		
	Book value	Acquisition cost	Difference
Equity securities	¥ 210,090	¥ 94,597	¥ 115,493
Government bonds	—	—	—
Others	595	346	249
Total	¥ 210,685	¥ 94,943	¥ 115,742

Type	Millions of Yen			Thousands of U.S. Dollars		
	2021			2021		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 280,696	¥ 127,834	¥ 152,862	\$ 2,535,417	\$ 1,154,674	\$ 1,380,743
Government bonds	21	20	1	190	181	9
Others	935	595	340	8,445	5,374	3,071
Total	¥ 281,652	¥ 128,449	¥ 153,203	\$ 2,544,052	\$ 1,160,229	\$ 1,383,823

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

· Securities with book value not exceeding acquisition costs

Type	Millions of Yen		
	2020		
	Book value	Acquisition cost	Difference
Equity securities	¥ 41,919	¥ 50,231	¥ (8,312)
Government bonds	0	0	(0)
Others	400	410	(10)
Total	¥ 42,319	¥ 50,641	¥ (8,322)

Type	Millions of Yen			Thousands of U.S. Dollars		
	2021			2021		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 17,636	¥ 22,103	¥ (4,467)	\$ 159,299	\$ 199,648	\$ (40,349)
Government bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	¥ 17,636	¥ 22,103	¥ (4,467)	\$ 159,299	\$ 199,648	\$ (40,349)

(2) Total sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2020 and 2021 were as follows:

Type	Millions of Yen		
	2020		
	Equity securities	Others	Total
Total amount of available-for-sale securities sold	¥ 801	¥ —	¥ 801
Gains on sales of available-for-sale securities	497	—	497
Losses on sales of available-for-sale securities	45	—	45

Type	Millions of Yen		
	2021		
	Equity securities	Others	Total
Total amount of available-for-sale securities sold	¥ 3,149	¥ 160	¥ 3,309
Gains on sales of available-for-sale securities	1,714	57	1,771
Losses on sales of available-for-sale securities	151	—	151

Type	Thousands of U.S. Dollars		
	2021		
	Equity securities	Others	Total
Total amount of available-for-sale securities sold	\$ 28,444	\$ 1,445	\$ 29,889
Gains on sales of available-for-sale securities	15,482	515	15,997
Losses on sales of available-for-sale securities	1,364	—	1,364

(3) Impairment losses on securities

The Group recognized impairment losses on the following securities for the years ended March 31, 2020 and 2021 were as follows:

Type	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
	Write-down of investment securities	¥ 1,502	¥ 1,159

6. Pledged Assets

The following assets were pledged principally as collateral for loans of companies which were subsidiaries and affiliates as of March 31, 2020 and 2021:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Investment securities	¥ 2,490	¥ 2,190	\$ 19,782
Other assets	1,869	1,077	9,728
Total	¥ 4,359	¥ 3,267	\$ 29,510

7. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2020 and 2021 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term loans as of March 31, 2020 and 2021 were 0.4% and 0.4%, respectively.

The Group has had no difficulty in renewing such notes and overdraft facility agreements, when they considered such renewal advisable.

Long-term debt as of March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Bonds and notes:			
Issued by the Company:			
0.67% yen bonds due in 2020	¥ 10,000	¥ —	\$ —
0.14% yen bonds due in 2022	10,000	10,000	90,326
0.527% yen bonds due in 2022	10,000	10,000	90,326
0.18% yen bonds due in 2025	—	10,000	90,326
0.38% yen bonds due in 2027	10,000	10,000	90,326
0.37% yen bonds due in 2030	—	10,000	90,326
Loans, principally from banks and insurance companies:			
Secured loans (*1)	173	158	1,427
Unsecured loans	109,571	105,038	948,767
Capital lease	651	957	8,645
	150,395	156,153	1,410,469
Amount due within one year	(39,789)	(25,819)	(233,213)
Total long-term debt (due after one year)	¥ 110,606	¥ 130,334	\$ 1,177,256

(*1) Note 1: These are non-recourse liabilities for the Group.

The annual interest rates applicable to long-term loans due within one year averaged 0.6% and 0.4% as of March 31, 2020 and 2021, respectively, and the annual interest rates applicable to long-term loans due after one year averaged 0.5% and 0.5% as of March 31, 2020 and 2021, respectively.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2021 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 25,819	\$ 233,213
2023	54,348	490,904
2024	15,982	144,359
2025	17,598	158,956
2026	22,317	201,581
2027 and thereafter	20,089	181,456
Total	¥ 156,153	\$ 1,410,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

8. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes.

The reconciliations for the year ended March 31, 2020 and 2021 are not presented because the difference between the statutory tax rate and the effective tax rate were less than or equal to 5% of the statutory tax rate.

Significant components of deferred income taxes at March 31, 2020 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Net defined benefit liability	¥ 37,436	¥ 27,802	\$ 251,125
Inventories	9,399	7,860	70,996
Accrued bonuses	7,357	5,901	53,301
Fixed assets	2,469	3,335	30,124
Advances received	983	796	7,190
Others	6,440	6,655	60,112
Tax loss carryforward	521	531	4,796
Unrealized profits	7,429	7,483	67,591
Sub-total	72,034	60,363	545,235
Valuation allowance	(3,921)	(4,996)	(45,127)
Total	68,113	55,367	500,108
Deferred income tax liabilities:			
Unrealized holding gains on securities	(32,861)	(45,496)	(410,947)
Gains on securities contribution to employee retirement benefit trust	(17,711)	(16,464)	(148,713)
Net defined benefit asset	(3,599)	(2,320)	(20,956)
Others	(1,436)	(2,250)	(20,323)
Total	(55,607)	(66,530)	(600,939)
Net total	¥ 12,506	¥ (11,163)	\$ (100,831)

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥ 3,280 million and ¥ 3,275 million (\$ 29,582 thousand) as of March 31, 2020 and 2021 were presented separately in the consolidated balance sheets.

9. Investment and Rental Property

(1) The Company and certain consolidated subsidiaries hold some office buildings for rent in Tokyo and other areas. The rental income on office buildings for rent was ¥ 3,728 million and ¥ 3,949 million (\$ 35,670 thousand) at the year ended March 31, 2020 and 2021, respectively. Rental income is mainly booked in Real estate development and other of Net sales, and rental cost is mainly booked in Cost of sales.

(2) The amounts of investment and rental property which booked in consolidated balance sheets, the amounts of increase or decrease, and fair value as of March 31, 2020 and 2021 were as follows:

Millions of Yen			
2020			
Book value			Fair value
April 1, 2019	Increase (decrease)	March 31, 2020	March 31, 2020
¥ 109,718	¥ (15,712)	¥ 94,006	¥ 126,507

Millions of Yen			
2021			
Book value			Fair value
April 1, 2020	Increase (decrease)	March 31, 2021	March 31, 2021
¥ 94,006	¥ (1,440)	¥ 92,566	¥ 123,185

Thousands of U.S. Dollars			
2021			
Book value			Fair value
April 1, 2020	Increase (decrease)	March 31, 2021	March 31, 2021
\$ 849,119	\$ (13,007)	\$ 836,112	\$ 1,112,682

Note 1: The carrying amount is stated at cost of acquisition less accumulated depreciation and impairment losses.

Note 2: The main reasons of increase for the year ended March 31, 2020 was acquisition of fixed assets ¥ 9,123 million.

The main reasons of decrease for the year ended March 31, 2020 were sales of fixed assets ¥ 21,516 million and impairment losses on fixed assets ¥ 1,110 million. There is no significant increase or decrease for the year ended March 31, 2021.

Note 3: The book value as of March 31, 2020 and 2021 included asset retirement obligations of ¥ 192 million and ¥ 185 million (\$ 1,671 thousand), respectively.

Note 4: The fair value of investment and rental property as of March 31, 2020 and 2021 were mainly calculated by the Company according to the Japanese Real Estate Appraisal Standards (it may include adjustments using official indices).

10. Employees' Severance and Retirement Benefits

1. The Company and its main consolidated subsidiaries have adopted the defined-benefit pension plans and defined-contribution pension plans. The defined-benefit pension plans adopted consist of defined-benefit corporate pension plans and lump-sum payment plans.

Liabilities and expenses for severance and retirement benefits of the Company and its consolidated domestic subsidiaries are determined based on amounts obtained by actuarial calculations. The Company may also pay additional retirement benefits which are not subject to actuarial calculation.

The Company has established a retirement benefit trust.

2. Defined-benefit pension plans

(1) Movement in retirement benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Balance at beginning of the year	¥ 139,848	¥ 134,293	\$ 1,213,016
Current service cost	6,398	6,523	58,920
Interest cost	767	741	6,693
Actuarial loss (gain)	(2,983)	2,605	23,530
Benefits paid	(9,751)	(9,134)	(82,504)
Past service costs	(183)	0	0
Other	197	198	1,788
Balance at end of the year	¥ 134,293	¥ 135,226	\$ 1,221,443

Some of the consolidated subsidiaries use simplified method for the calculation of retirement benefit obligations.

Retirement benefit expenses in the consolidated subsidiaries applying simplified method are recorded in current service cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

(2) Movements in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Balance at beginning of the year	¥ 109,213	¥ 102,453	\$ 925,427
Expected return on plan assets	2,034	1,963	17,731
Actuarial loss (gain)	(3,500)	29,725	268,494
Contributions paid by the employer	1,107	1,134	10,243
Benefits paid	(5,400)	(4,919)	(44,441)
Other	(1,001)	(1,358)	(12,266)
Balance at end of the year	¥ 102,453	¥ 128,998	\$ 1,165,188

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Funded retirement benefit obligations	¥ 130,762	¥ 131,212	\$ 1,185,186
Plan assets	(102,453)	(128,998)	(1,165,188)
	28,309	2,214	19,998
Unfunded retirement benefit obligations	3,531	4,014	36,257
Net total at year-end	31,840	6,228	56,255
Net defined benefit liability	45,045	17,899	161,675
Net defined benefit asset	(13,205)	(11,671)	(105,420)
Net total at year-end	¥ 31,840	¥ 6,228	\$ 56,255

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Current service cost	¥ 6,398	¥ 6,523	\$ 58,920
Interest cost	767	741	6,693
Expected return on plan assets	(2,034)	(1,963)	(17,731)
Net actuarial loss amortization	(993)	(65)	(587)
Past service costs amortization	(1,388)	(1,389)	(12,546)
Other	13	13	117
Total retirement benefit expenses for the year	¥ 2,763	¥ 3,860	\$ 34,866

(5) Remeasurements of defined benefit plans

Items recorded in remeasurements of defined benefit plans (before considering tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Past service costs	¥ (1,205)	¥ (1,389)	\$ (12,546)
Actuarial loss (gain)	(1,510)	27,055	244,377
Total balance as of March 31, 2020 and 2021	¥ (2,715)	¥ 25,666	\$ 231,831

(6) Accumulated remeasurements of defined benefit plans

Items recorded in accumulated remeasurements of defined benefit plans (before considering tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrecognized past service costs	¥ (4,637)	¥ (3,248)	\$ (29,338)
Unrecognized actuarial loss (gain)	(941)	(27,996)	(252,877)
Total balance as of March 31, 2020 and 2021	¥ (5,578)	¥ (31,244)	\$ (282,215)

(7) Plan assets

	2020	2021
① Plan assets comprise:		
Equity securities	42%	57%
Bonds	24	16
General accounts	19	15
Special accounts	3	2
Short-term assets	1	1
Other	11	9
Total	100%	100%

The retirement benefit trust established for corporate pension plans accounted for 40% and 40% of total plan assets, for the fiscal year ended March 31, 2020 and 2021, respectively.

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2020 and 2021 were as follows:

	2020	2021
Discount rate		
The Company and its consolidated domestic subsidiaries	0.4~1.5	0.4~1.5
Consolidated overseas subsidiaries	7.5~8.0	4.8~8.0
Long-term expected rate of return	1.0~3.0	1.0~3.0

3. Defined-contribution pension plans

Amount payable for defined-contribution pension plans of the Company and its consolidated subsidiaries were ¥ 2,591 million and ¥ 2,617 million (\$ 23,638 thousand), for the fiscal year ended March 31, 2020 and 2021, respectively.

11. Net assets

Net assets comprise three subsections; which are shareholders' equity, accumulated other comprehensive income and non-controlling interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), when a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, appropriations of legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2020 and 2021 were 13,231 thousand shares and 18,694 thousand shares, respectively.

The number of treasury shares of common stock at the end of the fiscal year includes 106 thousand shares held by the BBT. Total annual dividends per share as of March 31, 2021 is ¥ 130.00 (U.S. \$ 1.18), which is the sum of the interim dividend per share of ¥ 65.00 (U.S. \$ 0.59) and the year-end dividend per share of ¥ 65.00 (U.S. \$ 0.59).

12. Lease Transactions

Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2020 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Due within one year	¥ 4,707	¥ 3,842	\$ 34,703
Due after one year	15,916	12,311	111,201
Total	¥ 20,623	¥ 16,153	\$ 145,904

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

(b) Lesser

Future minimum lease receipts as of March 31, 2020 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Due within one year	¥ 3,336	¥ 2,304	\$ 20,811
Due after one year	13,665	16,395	148,090
Total	¥ 17,001	¥ 18,699	\$ 168,901

13. Derivative Transactions

(1) Derivative transactions of the Company and its consolidated subsidiaries as of March 31, 2020 and 2021 were as follows:

① Derivative transactions which were not accounted for by the hedge accounting

· Currency-related transactions

Over-the counter transactions

	Millions of Yen			
	2020			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 1,776	¥ —	¥ 9	¥ 9

	Millions of Yen			
	2021			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 1,427	¥ —	¥ 56	¥ 56

	Thousands of U.S. Dollars			
	2021			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contract (short commitment) to sell U.S. dollars	\$ 12,890	\$ —	\$ 506	\$ 506

Note: Fair value was determined at the quoted price obtained from the counterparty financial institutions.

② Derivative transactions which were accounted for by the hedge accounting as of March 31, 2020 and 2021 were as follows:

· Currency related transactions

Main items hedged by forward foreign exchange contracts are accounts payable for construction contracts.

	Millions of Yen		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 706	¥ 233	¥ 2

	Millions of Yen		
	2021		
	Contract amount		
	Total	Due after one year	Fair value
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 233	¥ —	¥ 10

	Thousands of U.S. Dollars		
	2021		
	Contract amount		
	Total	Due after one year	Fair value
Forward foreign exchange contract (short commitment) to sell U.S. dollars	\$ 2,105	\$ —	\$ 90

Note: Fair value was determined at the quoted price obtained from the counterparty financial institutions.

· Interest Rate-Related Derivatives:

Main items hedged by interest rate swap contracts are long-term loans.

The following interest rate swaps are used as hedges. The net amounts to be paid or received are added to or deducted from interests.

Special treatment of swap

	Millions of Yen		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	¥ 39,030	¥ 28,700	¥ —

	Millions of Yen		
	2021		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	¥ 28,200	¥ 28,200	¥ —

	Thousands of U.S. Dollars		
	2021		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	\$ 254,720	\$ 254,720	\$ —

Note: Fair value of interest rate swaps was included in the corresponding hedged long-term loans (long-term loans due within one year was considered as short-term loans) as those interest rate swaps were recorded as an adjustment to the corresponding hedged long-term loans under the special treatment.

14. Related Party Transactions

The Company had no transaction with related individuals, including shareholders and directors, for the year ended March 31, 2020 and 2021.

The Company's consolidated subsidiaries had the following transaction with related individuals, including shareholders and directors, for the years ended March 31, 2020, but no transaction was made for the year ended March 31, 2021.

	Millions of yen			
	2020			
	Transactions during the year ended March 31, 2020		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Name				
(b) Attribution				
(c) Capital (Million yen)				
(d) Equity ownership percentage of the Company				
(a) Eri Teramoto	Housing construction	¥ 44	Advances received	¥ 11
(b) Close relative of the executive officer of the Corporation	by Taisei Housing		and progress billings	
(c) —	Co., Ltd.		on uncompleted	
(d) —			contracts	

Note 1: Consumption taxes were not included in the transaction amounts and the balance at the end of the year.

Note 2: Transaction conditions and policies to decide transaction conditions

The transaction price of housing construction was determined properly on an arm's length basis as in the case of other general transactions. The amount of transaction above represents the contract price on the construction contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

15. Segment Information

(1) Segment Information

(a) General information on reportable segments

Each reportable segment of the Group is a business unit in the Group, whose discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors Meeting in order to determine distribution of management resources and evaluate business result of each reportable segment.

The headquarters in the head office are established by the products of construction and the services. Each headquarter proposes comprehensive domestic and overseas strategies with respect to products and services, and operates its business activities.

The Group consists of segments identified by products and services based on the headquarters, and identifies the three segments, "Civil engineering," "Construction contracts," and "Real estate development" as reportable segments: "Civil engineering" delivering construction of civil engineering, etc.; "Construction contracts" delivering construction of building and housing, etc.; "Real estate development" delivering purchase, sale and rental of land and buildings, etc.

(b) Basis of measurement of net sales, profit or loss and other material items on reportable segment

The accounting methods for each reportable segment are the same as that set forth in the "Summary of Significant Accounting Policies". The profit (loss) of a reportable segment is based on the operating income (loss) before amortization of goodwill in Consolidated Statements of Income. In addition, conditions of intersegment transactions and transfers are determined by considering market prices as in the case of other general transactions.

Assets of the Group are not allocated to the segments. However, the corresponding depreciation expenses are allocated to the segments according to the rational bases such as the usage of assets.

(c) Information of net sales, profit or loss and other material items on reportable segment

Segment information as for the years ended March 31, 2020 and 2021 was as follows:

	Millions of Yen						
	2020						
	Reportable segments			Others	Total	Adjustments	Consolidated
Civil engineering	Construction contracts	Real estate development					
Net sales:							
Customers	¥ 459,110	¥ 1,168,446	¥ 112,423	¥ 11,352	¥ 1,751,331	¥ —	¥ 1,751,331
Intersegment	31,995	56,389	5,909	3,081	97,374	(97,374)	—
Total	491,105	1,224,835	118,332	14,433	1,848,705	(97,374)	1,751,331
Operating income	¥ 71,380	¥ 82,685	¥ 12,560	¥ 1,203	¥ 167,828	¥ (73)	¥ 167,755
Depreciation and amortization	¥ 3,854	¥ 3,342	¥ 2,607	¥ 135	¥ 9,938	¥ (53)	¥ 9,885
Increase (decrease) in allowance for losses on construction contracts ...	¥ (496)	¥ 4	¥ —	¥ —	¥ (492)	¥ —	¥ (492)

Note 1: "Others" presented businesses such as incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

Note 2: Adjustments of operating income of ¥ 73 million included intersegment elimination amounting to ¥ 30 million and amortization of goodwill amounting to ¥ 43 million.

Note 3: Segment operating income was adjusted against operating income of Consolidated Statement of Income.

	Millions of Yen						
	2021						
	Reportable segments			Others	Total	Adjustments	Consolidated
Civil engineering	Construction contracts	Real estate development					
Net sales:							
Customers	¥ 420,549	¥ 922,255	¥ 126,758	¥ 10,580	¥ 1,480,142	¥ —	¥ 1,480,142
Intersegment	30,243	38,412	6,129	3,269	78,053	(78,053)	—
Total	450,792	960,667	132,887	13,849	1,558,195	(78,053)	1,480,142
Operating income	¥ 56,074	¥ 63,858	¥ 9,669	¥ 1,147	¥ 130,748	¥ (232)	¥ 130,516
Depreciation and amortization	¥ 3,739	¥ 4,071	¥ 2,550	¥ 195	¥ 10,555	¥ (96)	¥ 10,459
Increase (decrease) in allowance for losses on construction contracts ...	¥ (147)	¥ (18)	¥ —	¥ —	¥ (165)	¥ —	¥ (165)

Thousands of U.S. Dollars

2021							
Reportable segments							
	Civil engineering	Construction contracts	Real estate development	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	\$ 3,798,654	\$ 8,330,368	\$ 1,144,955	\$ 95,565	\$ 13,369,542	\$ —	\$ 13,369,542
Intersegment	273,173	346,960	55,361	29,528	705,022	(705,022)	—
Total	4,071,827	8,677,328	1,200,316	125,093	14,074,564	(705,022)	13,369,542
Operating income	\$ 506,495	\$ 576,804	\$ 87,336	\$ 10,360	\$ 1,180,995	\$ (2,095)	\$ 1,178,900
Depreciation and amortization	\$ 33,773	\$ 36,772	\$ 23,033	\$ 1,761	\$ 95,339	\$ (867)	\$ 94,472
Increase (decrease) in allowance for losses on construction contracts	\$ (1,328)	\$ (162)	\$ —	\$ —	\$ (1,490)	\$ —	\$ (1,490)

Note 1: "Others" presented businesses such as incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

Note 2: Adjustments of operating income of ¥ 232 million (\$ 2,095 thousand) included intersegment elimination amounting to ¥ 189 million (\$ 1,707 thousand) and amortization of goodwill amounting to ¥ 43 million (\$ 388 thousand).

Note 3: Segment operating income was adjusted against operating income of Consolidated Statement of Income.

(2) Related Information

(a) Information about products and services

The information about products and services is included in "(c) Information of net sales, profit or loss and other material items on reportable segment" of "(1) Segment Information" for the years ended March 31, 2020 and 2021.

(b) Information about geographic areas

· Net sales

The information about net sales was not presented for the years ended March 31, 2020 and 2021 since sales to unaffiliated customers in Japan accounted for more than 90% of sales of Consolidated Statement of Income.

· Tangible fixed assets

The information about tangible fixed assets was not presented for the years ended March 31, 2020 and 2021 since the amounts of tangible fixed assets that located in Japan accounted for more than 90% of the amounts of tangible fixed assets of Consolidated Balance Sheet.

(c) Information about major customers

The information about major customers was not presented for the years ended March 31, 2020 and 2021 since net sales to any customer were less than 10% of the amounts of sales of Consolidated Statement of Income.

(d) Information about impairment losses on fixed assets of reportable segment for the years ended March 31, 2020 and 2021 was as follows:

Millions of Yen

2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Impairment losses on fixed assets	¥ 218	¥ —	¥ 1,120	¥ —	¥ —	¥ 1,338

Millions of Yen

2021						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Impairment losses on fixed assets	¥ 25	¥ 0	¥ 309	¥ —	¥ (10)	¥ 324

Thousands of U.S. Dollars

2021						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Impairment losses on fixed assets	\$ 226	\$ 0	\$ 2,791	\$ —	\$ (91)	\$ 2,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

(e) Information about amortization and unamortized balance of goodwill of reportable segment for the years ended March 31, 2020 and 2021 was as follows:

Millions of Yen						
2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Amortization of goodwill	¥ —	¥ 43	¥ —	¥ —	¥ —	¥ 43
Unamortized balance of goodwill	¥ —	¥ 129	¥ —	¥ —	¥ —	¥ 129

Millions of Yen						
2021						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Amortization of goodwill	¥ —	¥ 43	¥ —	¥ —	¥ —	¥ 43
Unamortized balance of goodwill	¥ —	¥ 86	¥ —	¥ —	¥ —	¥ 86

Thousands of U.S. Dollars						
2021						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Amortization of goodwill	\$ —	\$ 388	\$ —	\$ —	\$ —	\$ 388
Unamortized balance of goodwill	\$ —	\$ 777	\$ —	\$ —	\$ —	\$ 777

(f) Information about gains on negative goodwill of reportable segment

Information about gains on negative goodwill for the year ended March 31, 2020, a description is omitted because the amount is immaterial, and for the year ended March 31, 2021 was not applicable.

16. Revaluation Reserve for Land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land for business in accordance with the Law Concerning Revaluation of Land (the "Law").

As a result of this revaluation, deferred income taxes concerning the differences between the amounts after revaluation and the book value before revaluation was stated in the assets and liabilities in the consolidated balance sheets. The differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in "Accumulated other comprehensive income".

The revaluation was executed in accordance with the method prescribed in the Article 2, Items 3, 4 and 5 of the Law on November 30, 2001 and March 31, 2002.

One of the consolidated subsidiaries, which was merged with another consolidated subsidiary on December 1, 2001, executed the revaluation on November 30, 2001.

Excess amount of the book value of the revaluated land over the fair value as of March 31, 2020 and 2021 were ¥ 3,609 million and ¥ 3,185 million (\$ 28,769 thousand), respectively (including the excess amount of ¥ △40 million and ¥ 2 million (\$ 18 thousand) related to investment and rental property as of March 31, 2020 and 2021, respectively).

17. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥ 13,564 million and ¥ 14,205 million (\$ 128,308 thousand) for the years ended March 31, 2020 and 2021, respectively.

18. Impairment Losses on Fixed Assets

Impairment losses on fixed assets for the years ended March 31, 2020 and 2021 consisted of the following:

2020		
Use	Type of assets	Location
Rental property	Building and Land	Chiba (1 lot)
Assets for business use	Land and others	Osaka and the other (2 lots)
Idle assets	Building and Land	Kanagawa (2 lots)

2021		
Use	Type of assets	Location
Assets for business use	Building and others	Osaka and the other (4 lots)
Idle assets	Land and Building	Osaka (1 lot)

The Company and its consolidated subsidiaries grouped their fixed assets based on units, for which decisions for investments were made. Book value of the fixed assets listed above was reduced to recoverable amounts and impairment losses were recognized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Assets for business use			
Buildings and structures	¥ —	¥ 308	\$ 2,782
Land	177	—	—
Machinery and equipment	—	1	9
Others	7	—	—
Subtotal	184	309	2,791
Rental property			
Buildings and structures	649	—	—
Land	471	—	—
Subtotal	1,120	—	—
Idle assets			
Buildings and structures	4	3	27
Land	30	12	108
Subtotal	34	15	135
Total	¥ 1,338	¥ 324	\$ 2,926

The recoverable amount of the fixed assets for the years ended March 31, 2020 was mainly their net realizable value based on amount determined by the sales contract price. And the recoverable amount of the fixed assets for the years ended March 31, 2021 was mainly their value in use for which the valuation amount was zero.

19. Per Share Data

Net assets per share and net income per share as of and for the years ended March 31, 2020 and 2021 were as follows:

	Yen		U.S. Dollars
	2020	2021	2021
Net assets per share	¥ 3,550.03	¥ 4,084.81	\$ 36.90
Net income per share	573.14	442.66	4.00
Diluted net income per share	—	—	—

Note 1: Diluted net income per share for the years ended March 31, 2020 and 2021 were not presented because the Company had no shares with dilutive effects.

Note 2: The treasury shares held by the BBT in the net assets are included in the number of treasury stock, which is excluded from the number of outstanding shares at the end of the fiscal year and the average number of shares during the period for calculating the net assets per share and the net income per share.

The number of treasury stock held by the BBT at the end of the fiscal year excluded for calculation of net assets per shares was 106 thousand shares, and the number of treasury stock held by the BBT during the period excluded for the calculation of net income per shares was 53 thousand shares.

Calculation bases for basic net income per share for the years ended March 31, 2020 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Basic net income per share			
Net income attributable to owners of parent	¥ 122,088	¥ 92,554	\$ 836,004
Net income not available to common stock holders	—	—	—
Net income attributable to owners of parent available to common stock	122,088	92,554	836,004
Average common stock outstanding (in thousands share)	213,017	209,089	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

20. Comprehensive Income

Recycling adjustments and tax effects for each component of other comprehensive income were as follows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2020	2021	2021
Unrealized holding gains on securities			
Amount incurred	¥ (50,739)	¥ 42,055	\$ 379,866
Recycling	1,408	(736)	(6,648)
Before Tax	(49,331)	41,319	373,218
Tax effect	15,088	(12,635)	(114,127)
Unrealized holding gains on securities, net of taxes	(34,243)	28,684	259,091
Deferred gains or losses on hedging derivatives			
Amount incurred	3	25	226
Recycling	(2)	(17)	(154)
Before Tax	1	8	72
Tax effect	(0)	(2)	(18)
Unrealized gains or losses on hedging derivatives, net of taxes	1	6	54
Foreign currency translation adjustments			
Amount incurred	175	(711)	(6,422)
Recycling	61	—	—
Foreign currency translation adjustments	236	(711)	(6,422)
Remeasurements of defined benefit plans			
Amount incurred	(334)	27,120	244,964
Recycling	(2,381)	(1,454)	(13,133)
Before Tax	(2,715)	25,666	231,831
Tax effect	834	(7,855)	(70,951)
Remeasurements of defined benefit plans, net of taxes	(1,881)	17,811	160,880
Share of other comprehensive income of associates accounted for by the equity method			
Amount incurred	46	(83)	(750)
Total other comprehensive income	¥ (35,841)	¥ 45,707	\$ 412,853

21. Subsequent Event

(1) Acquisition of treasury stock

The Company resolved the item related to the acquisition of treasury stock at the board of directors held on May 14, 2021, in accordance with the article 156 of the Japanese Corporate Law (the "Law"), which is applicable as replacement of the article 165, paragraph 3 of the law, as detailed below.

① Reason of acquisition of treasury stock

The Company decided to acquire its treasury stock in order to enhance the shareholders' value per share and to improve the capital efficiency.

② Details

(a) Type of stock to be acquired: Common stock of the Company

(b) Number of stocks to be acquired: Up to 3,600,000 stocks (2.37% of the total outstanding stocks excluding treasury stock)

(c) Total cost of acquisition: Up to ¥ 10,000 million (\$ 90,326 thousand)

(d) Period of acquisition: From May 17, 2021 to September 30, 2021

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of Taisei Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Taisei Corporation and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the Company's estimate of the amount of total construction costs and the percentage of completion in applying the percentage-of-completion method of revenue recognition to construction contracts

The key audit matter

The amount of the revenue recognition to construction contracts (the "Revenue"), ¥ 1,326,663 million, for the current fiscal year includes the amount of ¥ 1,083,388 million recognized in applying the percentage-of-completion method as described in Note 2 "Summary of Significant Accounting Policies, (x) Significant Accounting Estimates", representing 81 % of the Revenue in the consolidated financial statements.

As described in Note 2 "Summary of Significant Accounting Policies, (g) Revenue Recognition of Construction", the percentage-of-completion method is applied to construction contracts for which the outcome can be reliably estimated to the end of the current consolidated fiscal year. The amount of the Revenue recognized in applying the percentage-of-completion method is calculated for each construction contract based on the reasonably estimated amount of total revenue, the reasonably estimated amount of total construction costs, and the reasonably estimated percentage of completion at the end of the current consolidated fiscal year, using the following formula.

$$\begin{aligned} & \text{the Revenue} = \text{amount of total revenue} \\ & \times \text{percentage of completion} \left(\frac{\text{amount of construction costs incurred}}{\text{amount of total construction costs}} \right) \end{aligned}$$

The amount of total construction costs recognition to construction contracts in applying the percentage-of-completion method is estimated based on the budget for the execution of construction (the "Budget"). Since the Budget is prepared by taking into account the construction site, condition of construction and others for each construction contract, and is composed of a wide variety of cost items, the estimate of the Budget involves a high degree of uncertainty and complexity. In addition, the Budget needs to be revised in a timely and appropriate manner when there is a difference between the estimated amount and the actual amount of each cost item, or when cost items needing a new estimate occur, depending on the progress of construction.

Since the cost-proportional method is adopted as the method of estimating the percentage of completion at the end of the current consolidated fiscal year, the percentage of completion is also estimated as the ratio of the amount of construction costs incurred for the construction carried out by the end of the current consolidated fiscal year to the amount of total construction costs. Therefore, if the amount of total construction costs is underestimated (or overestimated) or if the amount of construction costs incurred is compiled excessively (or insufficiently), the percentage of completion may be overestimated (or underestimated).

We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the amount of total construction costs and the percentage of completion in applying the percentage-of-completion method of revenue recognition to construction contracts was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess whether the Company's estimate of the amount of total construction costs and the percentage of completion in applying the percentage-of-completion method of revenue recognition to construction contracts was reasonable included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of preparing the Budget which is the basis for estimating the amount of total construction costs, and the process of estimating the percentage of completion. In this assessment, we focused our testing on the following controls:

- controls to appropriately reflect construction prices such as material costs, labor costs, and outsourcing costs, details of work, and other individual assumptions within the Budget; and
- controls to revise the Budget depending on the progress of construction in a timely and appropriate manner.

(2) Assessment of the reasonableness of the estimated amount of total construction costs

The primary procedures we performed for large-scale constructions mainly that were judged to have a significant impact on the consolidated financial statements to assess whether the Company's estimate of total construction costs was reasonable included the following:

- We examined whether all the contents of the work necessary to complete the construction were reflected as cost items in the Budget by comparing the cost items included in the Budget with the contents of the construction specified in the construction contract and inquiring with the construction manager about the correspondence between them. The estimated amounts of each cost item included in the Budget were confirmed with the amounts of related materials such as quotations from professional contractors.
- We confirmed the construction costs incurred by the end of the current consolidated fiscal year and the construction costs whose amounts were determined by the conclusion of a contract with a professional contractor included in the latest Budget with related materials such as the contents of the contract or invoices from the professional contractor.
- We evaluated the accuracy of the estimate of the amount of cost items by inquiring with the construction manager about the cause of the difference between the estimated amount of the cost items in the initial Budget and the actual amount. Moreover, we examined whether the effects of such differences were reflected in a timely and appropriate manner in estimating the amount of cost items in the latest Budget for which contracts with professional contractors had not been concluded.
- We identified the constructions for which the construction profit ratio calculated using the following formula at the end of the current consolidated fiscal year fluctuated to a certain extent in comparison with that at the end of the previous consolidated fiscal year since the construction profit ratio calculated fluctuates when the Budget is revised, and inquired of the construction manager about the content and factors of the revisions to the Budget. In addition, we examined related materials, such as contracts for specification changes, and assessed whether changes in the construction profit ratio were based on reasonable factors, by taking into account the results of the observations of construction sites which includes remote observations, for works for which the amount of total construction costs may not have been appropriately estimated.

$$\text{construction profit ratio} = \frac{\text{construction profit (amount of total revenue - amount of total construction costs)}}{\text{amount of total revenue}}$$

Independent Auditor's Report

(3) Assessment of the reasonableness of the estimated percentage of completion

In order to assess the reasonableness of the estimated percentage of completion, we performed the procedures described in "(2) Assessment of the reasonableness of the estimated total construction costs". In addition, the primary procedures we performed for large-scale constructions mainly that were judged to have a significant impact on the consolidated financial statements included the following:

- We found a certain correlation between the percentage of elapsed time by the end of the current consolidated fiscal year under the construction contract (the "Period Progress Percentage") and the percentage of completion at the end of the current consolidated fiscal year by the cost-proportional method (the "Cost Progress Percentage"), and also found a certain similarity in the correlation in each type of construction, such as civil engineering works and building works. Therefore, after classifying construction contracts to which the percentage-of-completion method was applied in the current consolidated fiscal year for each type of construction, we engaged specialists with expertise in data analysis, and identified construction contracts with abnormalities in the percentage of completion by using the technique for analyzing data as described below for each classification.
- We inquired of the construction manager about the progress toward completion of the specified constructions, and examined whether the answers to the inquiries were consistent with the construction timeline and the status of the construction costs incurred.
- We examined whether the percentage of completion was consistent with the status of the construction sites ascertained through the observations of construction sites, which included remote observations, to the specified constructions whose percentage of completion may be overestimated due to underestimation of the amount of total construction costs or excessive compilation of the amount of construction costs incurred.

Note : Technique for analyzing data consists mainly of the following steps:

- 1st We estimate a curve representing the average progress of construction (the "Average Progress Curve") based on the relationship between the Period Progress Percentage and the Cost Progress Percentage of constructions completed and delivered over the past several years.
- 2nd We set a deviation range to determine that the construction is not abnormal even if it deviates from the Average Progress Curve based on the past constructions that deviated from the Average Progress Curve.
- 3rd We check the deviation from the Average Progress Curve for the constructions at the end of the current consolidated fiscal year to which the percentage-of-completion method is applied, and identify the constructions that exceed the deviation range set in the second step as the constructions with an abnormal percentage of completion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan. Our firm and its designated engagement partners do not have any interest in the Group which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Katsunori Tsukahara

Designated Engagement Partner

Certified Public Accountant

Daijiro Otsu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 25, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

ESG Data

Data on Environmental Contribution

Environment Data

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
305-4	At construction stage: Reduction rate of CO ₂ emissions per construction cost (intensity)* ¹	%	28.4	28.9	32.0	27	30.3
305-5	At construction stage: Reduction rate of total CO ₂ emissions* ¹		48.4	44.7	43.7	52	54.5
	At building operation stage: Reduction rate of estimated CO ₂ emissions* ^{1,2}		48.1	40.2	39.5	40	41.4
—	Total CO ₂ Emissions (Taisei Group)	10 ³ tCO ₂	340	361	368	—	318
—	Total CO ₂ Emissions		245	261	267		216
305-1	Scope 1		151	179	172		142
305-2	Scope 2	67	57	69	57		
305-3	Scope 3	27	25	26	17		
302-1	Energy consumption	10 ⁹ MJ	3.90	4.14	4.39	—	3.60
302-3	In office divisions: Reduction rate of energy consumption per floor area (basic unit) * ³	%	20.5	21.0	23.3	25	22.4
	Water (amount of water used)	10 ³ m ³	1,691	1,436	1,414	—	1,412
305-7	NO _x emissions	t	1,151	1,345	1,302		1,039
	SO _x emissions		175	205	200		158
306-2	Final disposal rate of construction wastes	%	3.2	3.4	3.9	3.4	2.7
	Amount of construction waste	10 ³ t	2,644	2,020	2,411	—	1,787
301-2	Number of green procurement items adapted at construction design stage	Item/PJ	9.5	9.7	10	10	11.7
304-3	Number of proposals and deployment of biodiversity-related technologies	Projects	52	35	46	30	38
	Number of biodiversity-friendly works implemented		—	—	6	10	6
307-1	Number of environmental accidents	Cases	0	0	1	0	0
102-11	Acquisition rate of ISO 14001 certification	%	100	100	100	—	100

*1 Compared to fiscal 1990 (a base year for emissions targets)

*2 Estimated CO₂ emissions from design and construction projects (including dissemination and promotion of ZEB)

*3 Compared to fiscal 2010 (a base year for emissions targets)

Data on Social Contribution and Governance

Human Resources Data

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
102-7	Number of employees (Consolidated)	Persons	14,032	14,433	14,562	—	14,620
102-8	Male (Consolidated)		11,718	11,906	11,971		11,959
	Female (Consolidated)		2,314	2,527	2,591		2,661
405-1	Japanese employees (Consolidated)		13,322	13,567	13,658		13,692
	Non-Japanese employees (Consolidated)		710	866	904		928
102-7	Number of employees		8,501	8,490	8,507		8,572
102-8	Male		6,977	6,949	6,937		6,970
	Female		1,524	1,541	1,570		1,602
405-1	Japanese employees		8,413	8,391	8,394		8,457
	Non-Japanese employees		88	99	113		115
102-7	Twenties	%	15.9	16.5	17.1	—	18.0
	Thirties		18.3	19.0	19.2		19.7
	Forties		34.3	30.1	26.3		22.8
	Fifties or more		31.4	34.4	37.4		39.4

Data on Recruitment, Annual Salary, Length of Service, and Average Age

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
—	Number of hires (new graduates)	Persons	283	251	264	—	329
	Male		228	207	215		270
405-1	Female		55	44	49		59
—	Number of mid-career hires		19	30	27		11
	Male		17	29	22		11
102-7	Female		2	1	5		0
102-8	Average annual salary	Thousand yen	9,872	10,512	10,103	—	9,850
—	Average age	Years old	43.0	43.0	43.0	—	43.0
	Male		43.2	43.3	43.3		43.3
405-1	Female		41.7	41.8	41.8		41.6

Data on Social Contribution and Governance

Data on Recruitment, Annual Salary, Length of Service, and Average Age (continued)

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
—	Average service years	Years	18.3	18.3	18.3	—	18.3
	Male		18.6	18.6	18.7		18.8
	Female		16.7	16.6	16.5		16.2
405-1	Turnover rate	%	1.0	1.1	1.2	4	1.2
401-1	Turnover rate of employees within three years of hiring	%	4.3	5.4	7.4		7.6

Number of Members of the Board

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
102-22	Number of Members of the Board (incl. number of External Members of the Board)	Persons	11 (3)	12 (4)	12 (4)	—	12 (4)
	Male		10 (2)	11 (3)	11 (3)		11 (3)
	Female		1 (1)	1 (1)	1 (1)		1 (1)
	Number of Managing Executive Officers		60	58	59		58
	Male		60	58	59		58
	Female		0	0	0		0

Data on Officer Remuneration (Total Amount)

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
102-35	Members of the Board	Million yen	696	755	741	—	814
	External Members of the Board		41	46	58		62

Diversity and Inclusion Data

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
405-1	Number of female managers	Persons	83	167	197	230	236
	Female managers ratio	%	1.7	3.2	3.8	—	4.5
	Number of female engineers	Persons	621	663	698	740	738
	Female engineers ratio	%	8.6	9.1	9.5	—	7.5
	Rate of employment of persons with disabilities	%	2.07	2.33	2.35	—	2.20
	Number of employees reemployed after leave retirement	Persons	663	739	800	—	862
	Number of employees reemployed after leave retirement (Taisei Group)		1,226	1,367	1,465		1,562
Number of former employees who took advantage of the Job-Return system	1		2	2	3		
102-8	Number of non-regular employees		1,118	1,134	1,173	—	1,288
404-2	Number of employees promoted from non-regular employees to regular employees		42	45	28	—	20

Childcare and Nursing Care Data

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
401-3	Number of employees taking leave for childcare	Persons	289	281	282	—	299
	Male		243	244	241		253
	Female		46	37	41		46
—	Rate of taking childcare leave	%	94.8	94.9	100	100	100
	Male		93.8	94.2	100		100
	Female		100	100	100		100
401-3	Rate of return to work after childcare leave	%	98.1	100	98.1	—	95.7
	Male		100	100	100		100
	Female		97.5	100	97.8		95.1
—	Number of employees taking nursing care leave	Persons	3	0	1	—	2

Data on Working Hours and Holidays

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
403-9	Total hours worked per month	Hours	192.9	192.8	193.9	—	194.1
—	Average overtime hours per month	Hours	37.5	37.8	39.0	35	39.8
	Rate of paid leave utilization	%	42.9	47.5	46.2	—	46.5
	Rate of paid leave utilization (Taisei Group)		41.4	48.5	49.7		57.7

Data on Training and Career in Capacity Development

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
404-1	Total training hours for capacity development	Hours	—	—	261,059	—	233,143
	Training hours per person		32.8	36.6	30.5		27.0
404-3	Implementation rate of career development review	%	87.8	87.7	86.5	—	88.0

Data on Health and Safety Relations

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
403-9	Accident frequency rate (Taisei Group)	—	0.44	0.58	0.65	—	0.36
	Accident frequency rate		0.41	0.42	0.62		0.35
	Accident severity rate		0.22	0.14	0.26		0.34
	Number of occupational accident leaves (excluding fatal accidents)	Cases	55	50	74	0	35
	Number of fatal accidents	Cases	1	2	4		5
	Number of fatalities of employees	Persons	0	0	0		0
	Number of work-related contractor fatalities of employees		0	0	0		0
Number of fatalities at partner companies (specialized contractors)	1		2	4	5		
403-5	Number of employees receiving safety and health training	—	1,025	1,049	—	1,063	
403-6	Implementation rate of stress checks	%	87.2	89.8	90.2	—	91.6
102-41	Percentage of all employees covered by collective bargaining agreements	%	—	—	90.6	—	90.8
	Labor union participation rate		100	100	100		100
—	Employee satisfaction rate	%	80.6	—	80.8	—	—

Data on Technology Development and Intellectual Property

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
—	Research and development expenditure (Consolidation)*	Billion yen	11.6	12.4	13.5	—	14.2
	Number of patents registered	Cases	191	250	169	180	202
	Number of patent applications filed		235	219	188	230	266

* In fiscal 2020, environment-related technology development costs (including those for building materials with low CO₂ emissions during manufacturing) were approximately ¥3.7 billion.

Quality and Productivity Data

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
416-1	Customer satisfaction (Building Construction)	%	90	92	88	100	90.0
	Customer satisfaction (Civil Engineering)		95	96	98	100	98.6
416-2	Acquisition rate of ISO 9001 certification	%	100	100	100	—	100
—	Worksite registration rate of Construction Career Up System (CCUS)	%	—	—	75	80 or more	100
	Productivity* (Net sales/number of employees)	—	107	111	117	110	94

* The actual result for FY2016 is set at 100.

Data on Social Contribution Expenditures and Donations

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
203-1	Expenditure on social contribution activities	Million yen	655	700	838	—	492
415-1	Political contributions		—	—	18		18

Data on Ethics, Procurement Practices, and Human Rights

(FY)

GRI	Indicators	Unit	2017	2018	2019	Target 2020	Results 2020
102-16	Participation rate of e-learning for the Group's Structure of Values and Policies	%	96	97	94	—	94
205-1	Response rate of Corporate Ethics Helpline and Group Helpline	%	100	100	100	100	100
	Operational results of the whistleblowing and consultation system	Cases	—	—	24	—	28
205-2	Compliance training participation rate	%	100	100	100		—
205-3	Number of dismissals due to corruption and bribery	Cases	—	—	0	—	0
418-1	Number of major information security accidents	Cases	0	0	0	0	1
	Number of information security education sessions	Times	15	19	5	—	4
412-1	Average implementation rate of CSR activities by suppliers	%	—	74.2	—	75	74.6
412-2	CSR procurement e-learning participation rate	%	97.2	97.9	96.5	—	95.4
	Human rights training participation rate		97.3	97.9	97.4		99.5

● See Taisei Corporation's website for definition of ESG data: <https://www.taisei.co.jp/english/csr/management/>

Glossary

Carbon pricing (CP)	A mechanism to promote the reduction of CO ₂ emissions by pricing carbon emissions. In Japan, the Ministry of Economy, Trade and Industry and the Ministry of the Environment are currently considering the introduction of carbon pricing (a carbon tax, an emission trading system, etc.).
Internal carbon pricing (ICP)	A system in which companies voluntarily set their own carbon prices to reflect the economic costs of CO ₂ in their business activities and use them as incentives to promote energy conservation and as guidelines for investment decision-making, in order to promote decarbonization-related investments and measures. Companies set their own pricing and usage according to their objectives.
CO₂ Zero Action	Environmental impact reduction activities conducted by all workplaces. There are seven actions such as eco-driving, inspection and maintenance of heavy machinery and vehicles, and temperature setting control of air conditioners.
TCFD	Abbreviation for Task Force on Climate-related Financial Disclosures, which was founded by the Financial Stability Board. Presented recommendations to urge companies to disclose consistent, comparable, and reliable climate-related financial information for investors' appropriate decisions on investment.
SBT initiative	An organization founded in 2015 that calls on companies to commit to set Science Based Targets (SBT) to contribute to the Paris Agreement, which limits the rise in global average temperatures to below 2 degrees Celsius above pre-industrial levels.
Green infrastructure	Efforts to promote the creation of sustainable and attractive national land, cities, and regions by utilizing the diverse functions of the natural environment in terms of both hardware and software, such as social infrastructure development and land use. As countermeasures against climate change, there are measures to improve ground surface coverage by optimizing national land management, conserving green areas and promoting greening, measures to absorb CO ₂ by utilizing green areas and seagrass beds, measures to store and infiltrate rainwater by utilizing soil and permeable pavement, and heat mitigation measures that utilize the transpiration effects of planting.
ZEB Ready	A building that meets 50% or more reduction in primary energy consumption from the standard primary energy consumption, excluding renewable energy.
Plastic Smart	A campaign by the Ministry of the Environment to promote "a smart way of dealing with plastic" nationwide, including thorough elimination of littering and illegal dumping, and thorough reduction of single-use plastic and sorting and collection.
BAP	Abbreviation of biodiversity action plan, which refers to the biodiversity action plan of the Convention on Biological Diversity.
Ecological planning	A planning method that is made suitable for the natural environment of a region by analyzing and evaluating the characteristics of the region through multidimensional understanding of the relationship between people and the environment.
Concierge Series	Ikimono Concierge: Our unique tool for predicting and identifying animals that can be attracted by a planning site Mori Concierge: Our unique tool enabling the selection of plants that can adapt to the environment of a planning site Mizube Concierge: Our tool for developing a unique plan to conserve and compensate waterside rare flora and fauna whose ecosystems may be affected by construction
TAISEI QUALITY®	A slogan that expresses in a few words the quality promotion activities of the Taisei Group as a whole. The Group aims to earn the trust of customers and society by ensuring quality with pride.
T-CIM®	Our proprietary system that integrates a construction system utilizing information and communications technology Construction Information Modeling (CIM) with attribute information associated with a 3D model of each construction project.
BIM	Building Information Modeling (BIM) is a construction information database that links a 3D building model created with a computer and attribute information including the specification, layout, and cost of building components and equipment.
Open innovation	Methodology for innovation, including the integration of knowledge and technology across a wide range of organizations.
CSR Procurement Guidelines	A set of guidelines on what the Company and its suppliers should do together. They can be summarized as (1) compliance with laws, regulations, and social norms, (2) fair and impartial business dealings, (3) respect for human rights, (4) promotion of safety and hygiene, (5) commitment to environmental conservation, (6) ensuring and improving safety and quality, (7) information disclosure, (8) commitment to information security, (9) activities contributing to society, (10) business continuity in times of disaster, and (11) promotion of CSR procurement.
Soyukai	Originated from the Harusamekai established in 1917, Taisei Corporation's organization for its core subcontractors was reestablished in February 2014 to strengthen cooperation between the Company and Soyukai members. As of April 2021, approximately 700 companies have joined the organization. The main purpose of the organization is to promote the improvement of construction capabilities and stable management of member companies through cooperation with the Company's business.
EcoVadis	France-based sustainability assessment organization that provides buyer companies with CSR evaluation data on suppliers through an information sharing platform registered by more than 75,000 companies in 190 industries in about 150 countries.
TAISEI OHSMS	Taisei Corporation's proprietary occupational health and safety management system developed with reference to guidelines from the International Labour Organization (ILO) and the Ministry of Health, Labour and Welfare.
Construction Career Up System (CCUS)	A system to register and visualize the skills, experience and qualifications, status of enrollment in social insurance programs, etc., of each of the skilled construction workers under uniform rules of the industry, to strengthen cooperation with partner organizations.
Health management overtime	Overtime working hours used to judge whether or not measures to prevent health impairment (such as face-to-face guidance by physicians) should be taken. They are the total of statutory overtime working hours and holiday working hours.
The Valuable 500	Launched at the World Economic Forum Annual Meeting (Davos) in January 2019, this initiative aims to encourage business leaders to undertake reforms that enable people with disabilities to realize their potential value for business, society, and the economy.

Third-Party Opinion



Kanji TANIMOTO

Professor,
Ph. D. in Business Administration
School of Commerce,
Faculty of Commerce,
Waseda University

TAISEI VISION 2030 and New Medium-Term Business Plan

The Taisei Group, in its Annual Report 2021, disclosed financial and non-financial information based on the TAISEI VISION 2030, which represents the Group's medium to long-term vision towards the year 2030, and the new Medium-Term Business Plan that has begun this fiscal year, while addressing IX, SX, and DX (p. 13), all of which promote major transformations.

The new Medium-Term Business Plan organizes the issues by classifying them into business-related ones and sustainability-related ones that should be addressed over the next three years. Going forward, the Group is expected to present the initiatives it will take along with the specific targets and strategies for addressing sustainability issues in each core business. As I have pointed out since the previous fiscal year, there is a gap between the overall picture of sustainability management (pp. 25-26) and the explanation of initiatives in each business section (pp. 19-21), and it is desirable to present a specific story on how the Group intends on creating value in each business. I hope that accurate understanding of CSR, in connection with the Taisei Spirit and the Taisei Group Philosophy, will be disseminated throughout the organization once again.

Responding Specifically to Get on with the Times

In the era of the sustainability revolution, a variety of international initiatives, standards, and norms have emerged regarding the code of conduct for CSR management, disclosure of non-financial information and ESG evaluation, and Japanese companies are pressed to respond as well. Companies are required to not only sign and participate in international initiatives, but also take specific action and disclose information. In terms of TCFD, in which Taisei participated last year, the Group is expected to quantitatively measure and disclose the financial impact of climate change risks in the future based on the concept presented in this report (pp. 37-39). Having accumulated a wealth of environmental information to date, Taisei Corporation is expected to respond promptly.

Future Sustainability Management Structure

How will Taisei Corporation create value by resolving social issues that it gives high priorities to its business? The Company is expected to clearly present the methods for materiality identification and target setting. Having been pointed out since the previous fiscal year, it is necessary to engage stakeholders in the formulation and verification of specific materiality issues. I hope that through the engagement the Group will implement initiatives to obtain ideas for resolving social issues and hints for achieving innovation.

While it is important to carry out engagement by having stakeholder representatives related to specific themes of the times gather, establishing a sustainability committee that constantly communicates with external parties is another option. At Taisei Corporation, with the conventional CSR Committee being reformed, since the previous fiscal year, internal directors (President, Vice Chairman, and two Executive Vice Presidents) and four outside Members of the Board have been participating in the committee, resulting in a structure that promotes lively exchange of opinions. It is suggested that the Company should consider reflecting the opinions of external stakeholders in the Committee's discussions. In this case, the issue is how to relate this structure to the aforementioned sustainability committee.

Meanwhile, the CSR Promotion Section of the Corporate Communication Department in the President's Office has thus far played a central role in formulating management issues related to CSR and sustainability, disseminating information within the company, and making reports. Given the expanding scope of relevant activities in recent years and the increasing importance of ESG investment, one idea is to enhance the existing structure and establish a Sustainability Promotion Department as part of the company-wide reorganization.

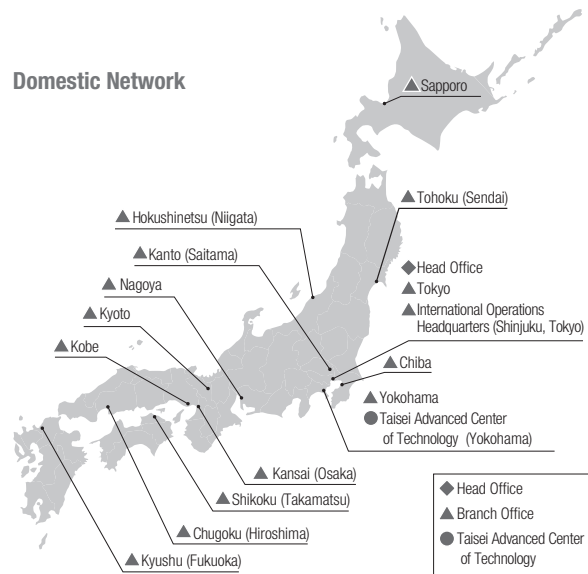
While the sustainability revolution has been spreading over the past 10 years or so, investment and financing using ESG as an evaluation standard have expanded faster than expected, causing changes in the financial market. There is a growing global trend of capital not being allocated to or flowing out of companies that are incapable of adequately implementing initiatives towards realizing a decarbonized society and addressing sustainability issues, and companies are required to take more strategic steps than ever before. This is closely related not only to SX, but also to IX and DX, and it can be said that the realization of the target vision of the Taisei Group presented this time is indeed what is being called for.

Outline of the Company

Corporate Data (As of March 31, 2021)

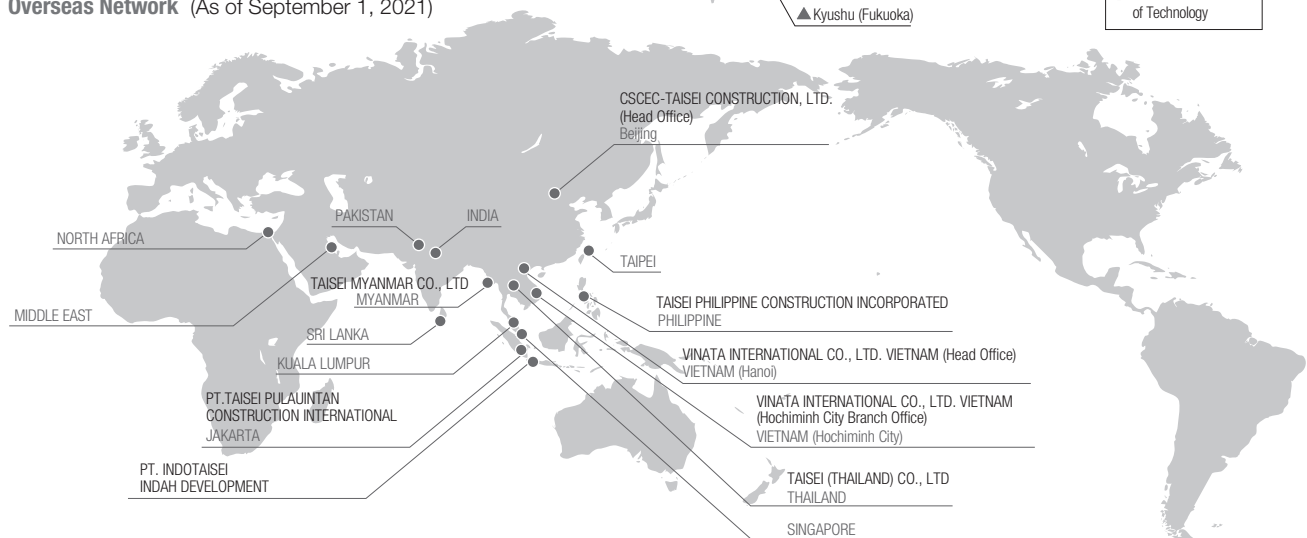
Name TAISEI CORPORATION
Established December 28, 1917
Paid-in capital ¥122.7 billion
Number of employees 8,572 people (non-consolidated)
Representative Yoshiro AIKAWA,
 President and Chief Executive Officer
Head office 25-1, Nishi-Shinjuku 1-chome,
 Shinjuku-ku, Tokyo, Japan
 TEL. 81-3-3348-1111 (main number)
Branches Tokyo, Osaka, Nagoya, Fukuoka,
 Sapporo, Sendai, Hiroshima,
 Yokohama, Niigata, Takamatsu, Chiba,
 Saitama, Kobe, Kyoto

Domestic Network



Taisei Advanced Center of Technology (Yokohama City)

Overseas Network (As of September 1, 2021)

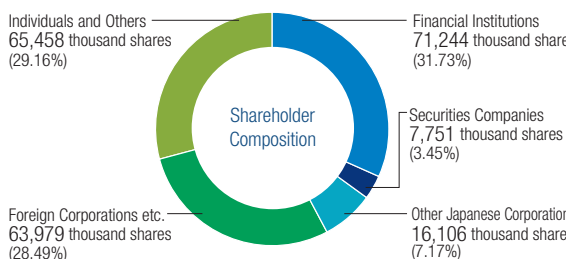


Share Information (As of March 31, 2021)

Status of Shares

Number of Shares Authorized 440,000,000
Number of Shares Issued* 224,541,172
Number of Shareholders 67,646

Ownership Distribution



Stock Listings Tokyo, Nagoya
Code 1801
Transfer Agent Mizuho Trust & Banking Co., Ltd.
 1-2-1, Yaesu, Chuo-ku,
 Tokyo 103-8670, Japan

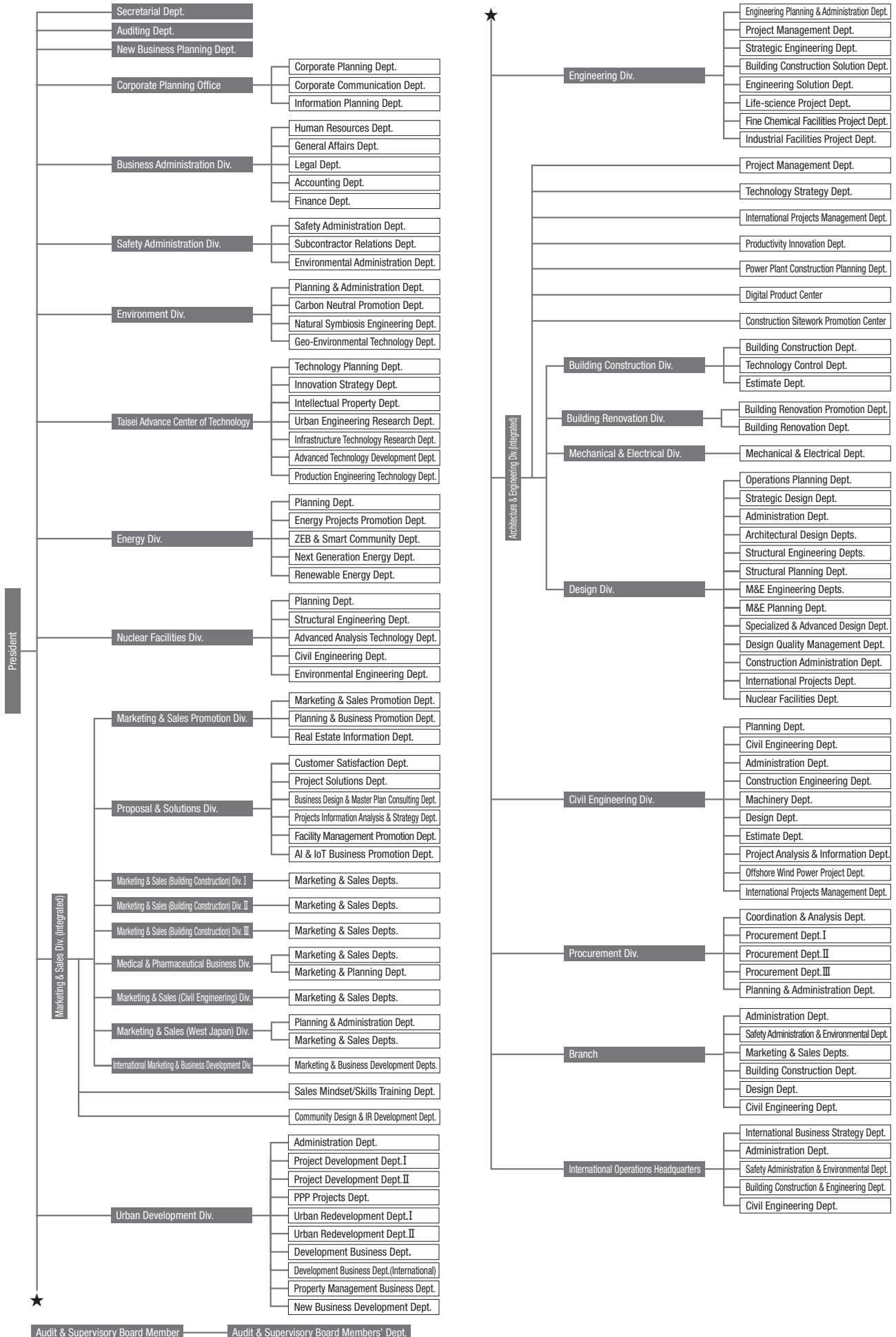
Major Shareholders (Top 10):

Name of Shareholder	Number of Shares Held (Unit: Thousand Shares)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,563	9.50
Custody Bank of Japan, Ltd. (Trust Account)	11,977	5.82
Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account)	5,857	2.84
Taisei Associates' Shareholding Plan	5,586	2.71
Custody Bank of Japan, Ltd. (Trust Account No.7)	4,870	2.36
Taisei Employees' Shareholding Plan	3,653	1.77
Custody Bank of Japan, Ltd. (Trust Account No.4)	3,303	1.60
State Street Bank West Client-Treaty 505234	3,139	1.52
Custody Bank of Japan, Ltd. (Trust Account No.5)	2,992	1.45
Meiji Yasuda Life Insurance Company	2,847	1.38

Note: The Company's own shares (18,588,329) are excluded in calculating the Ratio of Shares Held. The Company's own shares of 18,588,329 exclude 106,000 shares of the Company held by the Board Benefit Trust (BBT).

* The number of shares issued includes the Company's own shares of 18,588,329.

Taisei Corporation Organization Chart (As of September 1, 2021)



Overseas Network (As of September 1, 2021)

China

CSCEC-TAISEI CONSTRUCTION, LTD. (Head Office)

4th Floor, Building No. 8, Foreign Culture Creativity Park,
19 Chegongzhuang Xi Road, Haidian District, BEIJING, P.R.C. 100048
TEL 86-10-6845-1267 FAX 86-10-6845-1266

Philippines

PHILIPPINE OFFICE

9th Floor, BDO Equitable Tower, Paseo de Roxas, Salcedo Village,
Makati City, Philippines
TEL 63-2-8403-9105 FAX 63-2-8478-9542

Vietnam

VIETNAM OFFICE (Hanoi)

2nd Floor, Block A, Song Da Building Pham Hung Road,
My Dinh1, Nam Tu Liem District Hanoi,
S.R. Vietnam
TEL 84-24-3553-5033 FAX 84-24-3553-5002

VINATA INTERNATIONAL CO., LTD. (Head Office)

3rd Floor, Block A, Song Da Building
Pham Hung Road, My Dinh1, Nam Tu Liem District Hanoi,
S.R. Vietnam
TEL 84-24-3553-3839, -3840 FAX 84-24-3553-3788

Indonesia

JAKARTA OFFICE

L'Avenue Office Tower, 28th Floor, Jl. Raya Pasar Minggu Kav. 16,
Pancoran Jakarta Selatan, 12780, Indonesia
TEL 62-21-8066-7320 FAX 62-21-8066-7312

PT. INDOTASEI INDAH DEVELOPMENT

Kawasan Industri Indotasei, Kota Bukit Indah Sector IA, Block B
Karihurip, Cikampek, 41373, Karawan, Jawa Barat, Indonesia
TEL 62-264-351-003 FAX 62-264-351-026

Singapore

SINGAPORE OFFICE

60 Paya Lebar Road #04-57, Paya Lebar Square,
Singapore 409051
TEL 65-6280-0833 FAX 65-6280-0869

Thailand

THAILAND OFFICE

19th Floor, Thanapoom Tower, 1550 New Petchburi Road,
Kwaeng Makkasan, Khet Rachtavee, Bangkok 10400, Thailand
TEL 66-2-207-0331

Myanmar

MYANMAR OFFICE

2nd Floor, Tokyo Enterprise Building, No.32, Pyay Road, 61/2 miles,
Hlaing Township, Yangon, Myanmar
TEL 95-1-654-838 FAX 95-1-654-838

Sri Lanka

SRI LANKA OFFICE

No.177, 3rd Floor, Galle Road, Colombo 03.
Sri Lanka
TEL 94-11-2446194 FAX 94-11-2446198

Pakistan

PAKISTAN OFFICE

Office-A, 5th Floor, Block-A, Saudi Pak Tower, 61-A,
Jinnah Ave., Islamabad, Pakistan
TEL 92-51-8316620 FAX 92-51-8316629

Arab Republic of Egypt

NORTH AFRICA OFFICE

25th, Rd. No.10, Station Sqr, Maadi, Cairo, Arab Republic of Egypt
TEL 20-2-2378-3609 FAX 20-2-2380-1362

Taiwan

TAIPEI OFFICE

Zone B, 6F, No. 16, Sec. 4, Nan-Jing E. Road, Taipei,
Taiwan R.O.C.
TEL 886-2-2578-5656 FAX 886-2-2578-3300

TAISEI PHILIPPINE CONSTRUCTION INCORPORATED

23rd Floor, BDO Equitable Tower, Paseo de Roxas,
Salcedo Village, Makati City, Philippines
TEL 63-2-8886-0670 FAX 63-2-8886-0663

VIETNAM OFFICE (Hochiminh City)

VIETNAM CHAMBER OF COMMERCE AND INDUSTRY,
Hochiminh City Branch Building 7th FL, 171 Vo Thi Sau St., Ward 7,
District-3, Hochiminh City, S.R. Vietnam
TEL 84-28-3932-1759 FAX 84-28-3932-1758

(Hochiminh City Branch Office)

7th FL, VIETNAM CHAMBER OF COMMERCE AND
INDUSTRY TOWER, 171 Vo Thi Sau St., District 3,
Hochiminh City, S.R. Vietnam
TEL 84-28-3932-1765 FAX 84-28-3932-1764

PT. TAISEI PULAUNTAN CONSTRUCTION INTERNATIONAL

L'Avenue Office Tower, 28th Floor, Jl. Raya Pasar Minggu Kav. 16,
Pancoran Jakarta Selatan, 12780, Indonesia
TEL 62-21-8066-7321 FAX 62-21-8066-7312

Malaysia

KUALA LUMPUR OFFICE

9-3, 9th Floor, Faber Imperial Court, Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
TEL 60-3-2070-6155 FAX 60-3-2070-6010

TAISEI (THAILAND) CO., LTD.

9th Floor, Thanapoom Tower, 1550 New Petchburi Road,
Kwaeng Makkasan, Khet Rachtavee, Bangkok 10400, Thailand
TEL 66-2-207-0330 FAX 66-2-207-0332

TAISEI MYANMAR CO., LTD.

2nd Floor, Tokyo Enterprise Building, No.32, Pyay Road, 61/2 miles,
Hlaing Township, Yangon, Myanmar
TEL 95-1-654-838 FAX 95-1-654-838

India

INDIA OFFICE

#602, 6th Floor, Tower B, Global Business Park, M.G. Road,
Gurgaon, Haryana-122002, India
TEL 91-124-466-9800 FAX 91-124-466-9888

Qatar

MIDDLE EAST OFFICE (Doha)

Corner Abdullah Bin Jassim St. United Bank Bldg. 4th Floor,
Facing QNB Bldg, Doha - Qatar, PO BOX 47366
TEL 974-4443-4174 FAX 974-4443-7176



[On the Cover]

The radiating lines and geometric patterns express “our role” in diversification.

The shining sprouts represent “new birth” and “development.”