

Message from the President

We will achieve sustainable growth by reforming our corporate culture with determination and contributing to the development of a resilient society through “The Works to Create Landmarks,’ Looking Ahead.”

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The purpose of this message is:

- To show what we should aim for.
- On the corporate culture reform to create new values and to further enhance our corporate value,
 1. The reason for reforming our corporate culture,
 2. Achievements to date and future directions, and
 3. Our desire and determination for the corporate culture reform.
- On the [TAISEI VISION 2030] Achievement Plan as a medium- to long-term growth strategy,
 1. Assumptions of the Achievement Plan
 2. Reflection of the Medium-Term Business Plan (2021-2023)
 3. The [TAISEI Vision 2030] Achievement Plan
 - (1) Human capital (2) Technology development (3) Financial policy
- Enhancing the discussions of the Board
- “The Works to Create Landmarks,’ Looking Ahead”

What We Should Aim For: Contributing to the Development of a Resilient Society

It was in 2021, the year after I assumed the role of president, that we created the [TAISEI VISION 2030] and set what we should aim for to become “a pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives.” During the planning process of this vision, I recognized the importance of the word “resilient”—which conveys the ideas of “flexibility,” “robustness,” and “capability to recover”—in light of the recovery and reconstruction efforts following the Great East Japan Earthquake and the 2016 Kumamoto Earthquake, as well as our response to the COVID-19 pandemic. Hence, we incorporated this concept into what the Group should aim for. More than three years have passed since then, and the social environment around us has been changing rapidly and dramatically, including climate change and the increase in severe natural disasters at the global scale, the emergence of geopolitical risks, the increase in living costs and the rapid depreciation of the Japanese Yen. It is critical to realize a “resilient” society, flexible to various changes more than ever and realize growth even when affected by the changes.

The Group is responsible for developing social infrastructure through our business activities, the “construction” business at its core. The “urban

development,” “buildings,” and “infrastructure facilities” we take part in will endure a lifespan of 50 or 100 years, marking the map and supporting the daily life of many people. Precisely capturing the changes over time and achieving the level of work exceeding the expectations and imagination of our clients is the true “contribution to the development of a resilient society.” We will continue with integrity and pride in manufacturing, fully aware of the magnitude of our mission.

Furthermore, my mission as president is to make not only the society but also the Group itself “resilient,” which is to build a company that can flexibly respond to any external environmental changes without being significantly affected and to continue growing stably. Currently, for its realization, all of our executives and employees are united in focusing their efforts on the following two initiatives, which I will explain in detail:

- Corporate Culture Reform for Creating New Value and Further Enhancing Corporate Value
- The [TAISEI VISION 2030] Achievement Plan as Our Medium- to Long-Term Growth Strategy

Corporate Culture Reform for Creating New Value and Enhancing Corporate Value

1. The Reason for Pursuing the Corporate Culture Reform

During the previous Medium-Term Business Plan period, the Group experienced several inappropriate incidents related to quality and processes.

To regain trust, I have personally led the implementation of measures to prevent the recurrence as our executives and employees share the belief in “TAISEI QUALITY—Quality is Our Pride” and as we have seriously taken the opinion of our stakeholders. I believe these efforts are steadily showing results.

On the other hand, the recurrence of these incidents suggests a more fundamental issue of corporate culture, such as the mindset and behavioral patterns of our executives and employees through their daily jobs. Looking back, there was a tendency within the Company to prioritize the expansion of business. This “prioritizing the revenue growth” mindset disrupted the appropriate balance between receiving orders and production, creating undue stress on our construction sites, which serve as the base of our production. The overwhelming workload created an environment where on-site employees felt it difficult to voice their opinions and where failures seemed not to be tolerated when made. This environment led to inappropriate actions, for which I deeply feel responsible as the leader of the Company. With the changes over time, society’s needs and requirements towards companies have become more and more advanced and complicated. That trend will accelerate even more in the future, so we need to change ourselves in order not to get behind the times.

Driven by a sense of urgency that our current mindset and methods will hinder our employees from fully realizing their potential and realizing what we should aim for, we decided to undertake a “corporate culture reform.”

2. Achievements to Date and Future Directions

It is imperative that the management of the company, starting with myself, first undergo the change to reform the corporate culture. We are taking action to share our “commitment to serious change” through repeatedly discussing at the Management Committee and the meeting of Chiefs of divisions and branches. A key focus has been on the management to “actively listen” to the opinions of our employees by engaging in direct dialogue through various channels.

At the same time, for the reform to be successful, it is imperative that each of the individual employees seriously embrace this

initiative as their own. Last October, we established a working group and spent approximately six months in intensive discussions. 48 individuals were selected out of the 314 employees who volunteered, and the employees with a diverse representation of age and experience were asked to thoroughly examine the challenges related to our corporate culture.

Furthermore, 10 task force members, mainly consisting of younger employees, were selected from the working group by a combination of self-nomination and peer selection. These members engaged in extensive discussions with our management to set the Group’s “desired shape of the future.” We have internally shared the videos of these discussions, and the momentum has grown for all of our executives and employees to make the Company better as there has been a proactive exchange of opinions through the in-house SNS platform established for the corporate culture reform.

These collective efforts have led to the recent announcement of our “Corporate Culture that Respects the Life of Each Employee” and the “Commitment of All Taisei Group Executives and Employees.” To realize this, as part of the management, I made the commitment to continue the effort by maintaining an ongoing dialogue between the management and employees and to place valuing our employees at the center of the management. Currently, we are pursuing two initiatives: “bottom-up reform activities” that focus on communication and management style, and “top-down reform activities” for our systems, rules, organization, and operation. We will set up the environment for all executives and employees to carry out the “Commitment of All Taisei Group Executives and Employees” with certainty by checking the status and effect through engagement surveys and open communications.

Our Target Corporate Culture: Corporate Culture Where Lives of Employees Are Respected

Commitment of All Taisei Group Executives
and Employees

1. To be considerate of and care for others
2. To make casual and flat communication routine to deepen mutual understanding
3. To make a habit of dialogue that address essential issues
4. To respect processes as well as the results
5. For both management and employees to act based on a medium- to long-term vision
6. To cooperate with each other across divisions and companies, and to sincerely engage with society and customers as one
7. To keep changing and growing through trials, challenges, and feedback

P.31

To Strive for Customer Satisfaction and Solve Social Issues
—Response to the Incident That Occurred Last Year

P.23

Corporate Culture Reform

3. Our Desire and Determination for the Corporate Culture Reform

I have viewed this corporate culture reform as a favorable chance to realize the [TAISEI VISION 2030] and the sustainable growth in the years to come. It is the first time since I joined the company that the employees and the management are communicating so closely. I felt the passion of our employees towards the Company through direct communications. If we bring together that passion and continue with our reform, we will be able to build an environment in which each employee can exercise their full ability by taking pride in and being aware of their work. I am convinced that doing so will promote a voluntary behavior change among the management and employees, leading to the creation and providing of new values to our clients and the society, ultimately leading to further enhancement of our corporate value.

However, corporate culture will not change

overnight just by simply arranging the system or environment. At least three years is necessary to change the way of thinking and behavior pattern that brings the voluntary behavior change and the creation of new values among the employees. For that to happen, my role to lead the reform is very important. To improve the company and to fulfill the expectations and answer to the efforts of our employees who are doing their best in their daily work, I will lead the reform with determination and the management and employees of the Company will come together to build a “newly born Taisei Group.”



Discussion with the corporate culture reform task force members

P.25

Special Feature 1
Reforming Our Corporate Culture

The [TAISEI VISION 2030] Achievement Plan as a Medium- to Long-Term Growth Strategy

1. Assumptions to Achieve the Plan

—Structural Change and Changes in the External Environment, and Revising Our Materiality

When we created the [TAISEI VISION 2030] in 2021, we identified three Xs—the IX, the SX, and the DX*— as the key areas that represent medium- to long-term structural change and the changes in the external environment. Since then, the pace of these changes has increased and the delay in our response will pose a significant management risk to our Company. On the other hand, it will become an excellent opportunity to enhance our corporate value in the medium-to-long-term and if we can respond appropriately and contribute to solving the challenges faced by our clients and the society.

Regarding sustainability, we set forth the Materiality as an important issue to tackle but because ten years have passed since its original formulation, we revised it and placed it clearly as a higher concept of the management plan. During this revision process, we kept in mind to create the Materiality “that includes the fundamental essence of the Taisei Group” by listening to the opinions of many stakeholders, such as by conducting a survey of the executives and employees of the group, as well as our key subcontractors. I consider “CSV” (Creating Shared Value) to be the very basics of sustainable management and from the perspective of CSV, I believe we were able to set the Materiality and the target to solve its challenges to earn the support of many of our stakeholders. To achieve our target, we

will keep our focus on solving the challenges through our business activity.

2. Review of the Previous Medium-Term Business Plan

For the Medium-Term Business Plan (2021-2023) which was the first phase of realizing the [TAISEI VISION 2030], we unfortunately could not achieve our sales and profit targets which were the management performance indicators. This shortfall can be attributed to several factors, including increased competition for obtaining orders and the change to the external environment such as an increase in construction costs. In addition, we can point out to a time lag in developing the production system that matches the business volume, the effect of several large, lower-profit projects and the delay in passing the increased construction material costs onto the contract price. In particular, regarding the sharp increase of construction costs, it is unfortunate that most of our management and employees have only experienced deflation stages in the past and our response to the inflation stage lacked timely action.

Nevertheless, I believe we were able to lay the foundation for the future as we enlarged our strength and business field by merger and acquisition, developed technology for the realization of carbon neutralization, possessed renewable energy sources, etc. even amidst these challenging situations.

P.27

Review of Materiality

P.43

[TAISEI Vision 2030] Achievement Plan

*IX: Industry Transformation; SX: Sustainability Transformation, DX: Digital Transformation

3. The [TAISEI VISION 2030] Achievement Plan

—To Realize Profitable Growth

Given the above circumstances, I made it clear in the [TAISEI VISION 2030] that it is our position to put importance on earning profit. This is because profit can be earned only by first acquiring the strong trust and high evaluation from our clients and the society. Without profits, it is not possible as a corporation to keep contributing to our stakeholders and the society.

In order to realize what we should aim for, I put together the actions we should take in the next 7 years as the [TAISEI VISION 2030] Achievement Plan. I put together the specific targets and measures for the upcoming three years as our Medium-Term Business Plan (2024-2026). The core focus here remains the same: realizing profitable growth.

To achieve our target, our immediate priority is to rebuild the profitability of our domestic building construction business. We are focusing on improving our productivity based on an appropriate production capacity, strategically allocating management resources to areas such as renovations where we have a competitive advantage, and securing fair contract terms as construction cost is rising.

Furthermore, we will refine the Group's

greatest strength, the construction-related technologies, dig deeper into our domestic civil engineering and building construction business, as well as acquire business opportunities and enlarge profits by maximizing the use of our knowhow and technology in the engineering, overseas construction, and real estate development business sectors. In the domestic building construction business, through conducting renovation, engineering works etc., our aim is to establish a business structure of stable profitability even in the situation of a decrease in the number of new build projects which heavily relies on the changing socioeconomic conditions. We will differentiate from others by developing and implementing the technology through sufficient investment in environment and energy related technology. In addition, we will pursue new business models such as regional cooperation and O&M* as well as expand our business field to those surrounding construction by strengthening and expanding our business through M&A. We will maximize our profit by implementing the above mentioned measures by pursuing a total optimization and by utilizing "human capita," "technology" and "finance," the strong points of our Group.

Next, I will explain my policy regarding "human capital," "technology development" and "financial measures" which support our profitable growth.

P.43
[TAISEI Vision 2030]
Achievement Plan

P.65
New Business
Models

① Human Capital

Enhancing Our Corporate Value with Job Satisfaction as a Driving Force

I believe that the engine that enhances the corporate value of our Group is the job satisfaction of each employee. We can deliver values exceeding the expectation and the imagination of our clients because our employees conduct high quality work being satisfied and thrilled with their work. This will lead to the accomplishment of [TAISEI VISION 2030].

To heighten the job satisfaction of our employees, each employee and their family members must be in a well-being condition

*O&M: operation and maintenance. To manage and maintain buildings.

(physically and mentally fit, socially fulfilled). We are in the midst of taking various measures to reform our human resource systems and human resource development programs. A big challenge that is imposed on me is how much I can improve the well-being of our employees and their family members in terms of corporate culture reform and I am devoted to continuing its improvement.

For our employees to utilize one's strengths in a sufficient way, the psychological safety of

our employees must be maintained and it is important that the employees have a strong engagement with the company. Our group started conducting an engagement survey for our management and employees in the fiscal year 2022. I was shocked to see that the initial scores were lower than I expected but because we were able to visualize the actual situation, various systems and the management are continuing to improve and the score of the survey has gradually increased. To continue with furthering our implementation, the engagement score is designated as a key indicator in the Medium-Term Business Plan (2024-2026). We are aiming to create a favorable cycle in which the employees maintain a high engagement, make self-improving efforts by learning liberal arts, etc. and bring growth to both the individual and the organization.

Much of society and working style have changed in the recent few years leading to a huge change in the value and way of thinking among the employees and the era of lifetime employment has come to an end. I

acknowledge that applying the regulation to limit overtime work to the construction industry from this April is a turning point in history where the previous labor style will no longer be tolerated.

There will be no growth in our Group if we stick to the values of the Company or the construction industry that existed for a long time. I will pursue the effort to obtain the proper construction period for the projects to allow an 8-day site closure per 4 weeks as a basis, with the determination that there will be no future for a company or industry that cannot transform itself at this time.



P.91
Human Capital

② Technological Development

Develop the Technology and Heighten the Ability to Gain Profit

The basis of our group's competitiveness is the wide "technology" we have acquired in the long history of our manufacturing. I believe that our technology of civil engineering and building construction, the core of our business, is the top in the industry. We will put in resources in each of the fields of construction, urban development, engineering, environment and energy in a medium- to long-term viewpoint and develop our technology for the growth of our group without accepting the status quo.

In addition, we are also aiming to innovate the production process by increasing the productivity rate through utilizing digital transformation technology such as generative artificial intelligence, automation, and remote control,

etc. as the response to lack of personnel which is a pressing issue in the construction industry. We are concentrating on making use of VR and AR technologies as they are capable of making proposals of different levels to our clients as they make it possible for our clients to experience and make a choice in the design stage where until now, it was only possible to do when the building was actually completed.

Technology has become a strength of our group in the environment and energy field as well. Technologies such as decarbonization, not only New build ZEB (Net Zero Energy Building) but also, green renewal ZEB where an existing building is renovated to a ZEB, ZEF (Net Zero Energy Factory) where a

P.95
Technology

P.96
DX



factory is converted to a ZEB, ZEH (Net Zero Energy House) in the housing sector, etc., “T-e Concrete®/Carbon-Recycle” which is a carbon recycle concrete that reduces the total CO₂ emission to a minus or steel materials of reduced CO₂ emission, and “T-ZCB” (Zero Carbon Building*) which reduces the CO₂ emission to zero or under within the total life cycle of the building, etc., can greatly contribute to solving the issues of our clients and the society.

*A building that the carbon budget for the whole of lifecycle of the building including the stages of procurement (manufacturing and the obtaining of construction materials), construction and operation (operation, maintenance and demolition of the building) becomes zero.

③ Financial Policy

Raising the PBR by the Implementation of Growth Investment

Up until now, our Group’s target was to maintain the position of debt-free but in the [TAISEI VISION 2030] Achievement Plan, from the perspective of optimal capital structure, we changed our policy to earning the return by investment for growth by utilizing the procurement of finance available within the range of maintaining the financial discipline (rating).

We will actively make business investments and investments for growth not to miss the opportunity for growth.

We will implement measures to increase the ROE (Return on Equity) and PER (Price Earnings Ratio) in order to increase the PBR (Price Book-value Ratio) to realize the management of the company with the capital cost and stock price in mind. We will implement the measures to “achieve profitable growth,” as provided in the [TAISEI VISION 2030] Achievement Plan and the

Our prediction is the importance of water resources will rise around the globe even more. Our group recently acquired the “LEED Zero Water” certification, the first in the country, for the water we consume at the “Human Space Lab (ZEB demonstration building)” of our Advanced Center of Technology. We will continue to heighten our strength by developing technologies that contribute to solving the challenges of our clients and the society.

P.77 Environment and Energy

P.51 Financial Policy

Medium-Term Business Plan (2021-2023) which will lead to the increase in the ROE. We will also enrich our information disclosures and implement shareholder return measures to increase the PER.

Regarding the disclosure of information, we have been focusing on the disclosure of non-financial information over the last few years.

Through thorough explanations, we are communicating our group’s activities in small sized meetings, including to our overseas investors in addition to our regular IR activities. We will keep our efforts to a further in-depth disclosure, continue the sincere communication with our shareholders and investors and take into our management.

P.103 Corporate Governance

Enriching the Discussion in the Board Meeting for Sustainable Growth and Enhancing Corporate Value

It is necessary to enrich and elevate the level of corporate governance in order to realize sustainable growth and increase the corporate value by implementing the management strategy for sure. Continuing from last year, we have been transitioning the board members to a younger age and increasing the number of female outside directors to heighten diversity.

I would like to make our thoughts clear by taking the time to discuss in the board meetings, on how we think about “enhancing our corporate value.” Corporate value has many factors, not just the size, by increasing orders or sales but also the amount of profit, degree of social contribution, level

of employee happiness, etc. A certain size is required but size itself is not enough and there are more important things. Clear-cutting the stance of our Group will bring the understanding of our stakeholders and propel the force to reach what we should aim for. Through serious discussions, the board members must share their beliefs and further deepen the management to continue the growth for the next 50 or 100 years of our Group, which commemorated the 151st anniversary.



“The Works to Create Landmarks,” Looking Ahead

“The Works to Create Landmarks,” which embodies the Group’s business, is a very attractive phrase that accurately captures the essence of the construction business. Our works create “towns,” “buildings,” and “infrastructure facilities” that support the daily lives of many people. Although we may encounter various difficulties and hardships in the process of “creation,” we can gain a great sense of accomplishment when we complete the works by overcoming them. Our works are highly fulfilling as they are marked on the map and continues to contribute to the society.

What is required in the times from now on, in addition to “creating,” is to look ahead and solve environmental issues such as decarbonization, circulation of resources, and living together with nature and social issues such as vitalization of the local community or low birthrate and aging population, through conducting business and to contribute to building a resilient society and as a result, to accomplish work that is marked on the map, in the memories of the people and in history. This is “‘The Works to Create Landmarks,’ Looking Ahead” for our Group and our mission to fulfill.

To fulfill this mission, our Group must be a resilient company that achieves stable growth and answers to the expectations of our clients and the society even in the case of any changes occurring to the outside environment.

I have an image that our Company should evolve to become an overall construction

engineering company by putting the construction business to its core not just staying in that perimeter but strengthening the surrounding businesses of construction and expanding our field to solve the issues of the society.

We will steadily move forward by polishing our strength of “human capital” and “technology” and by achieving what we should aim for in 2030 and by accomplishing the corporate culture reform for the sustainable growth of the future.

Please expect us to proceed with determination and in “‘The Works to Create Landmarks,’ Looking Ahead.”

P.21 Towards the Realization of Our Vision

