



Corporate culture reform driven by all executives and employees

Part 1

Changing Taisei Corporation

The Taisei Group is committed to implementing reforms with determination to realize the Taisei Group Philosophy and [TAISEI VISION 2030]. First, we would like to share our vision, [TAISEI VISION 2030], and provide an understanding of the corporate culture reform and materiality review that are driven by our commitment to change.

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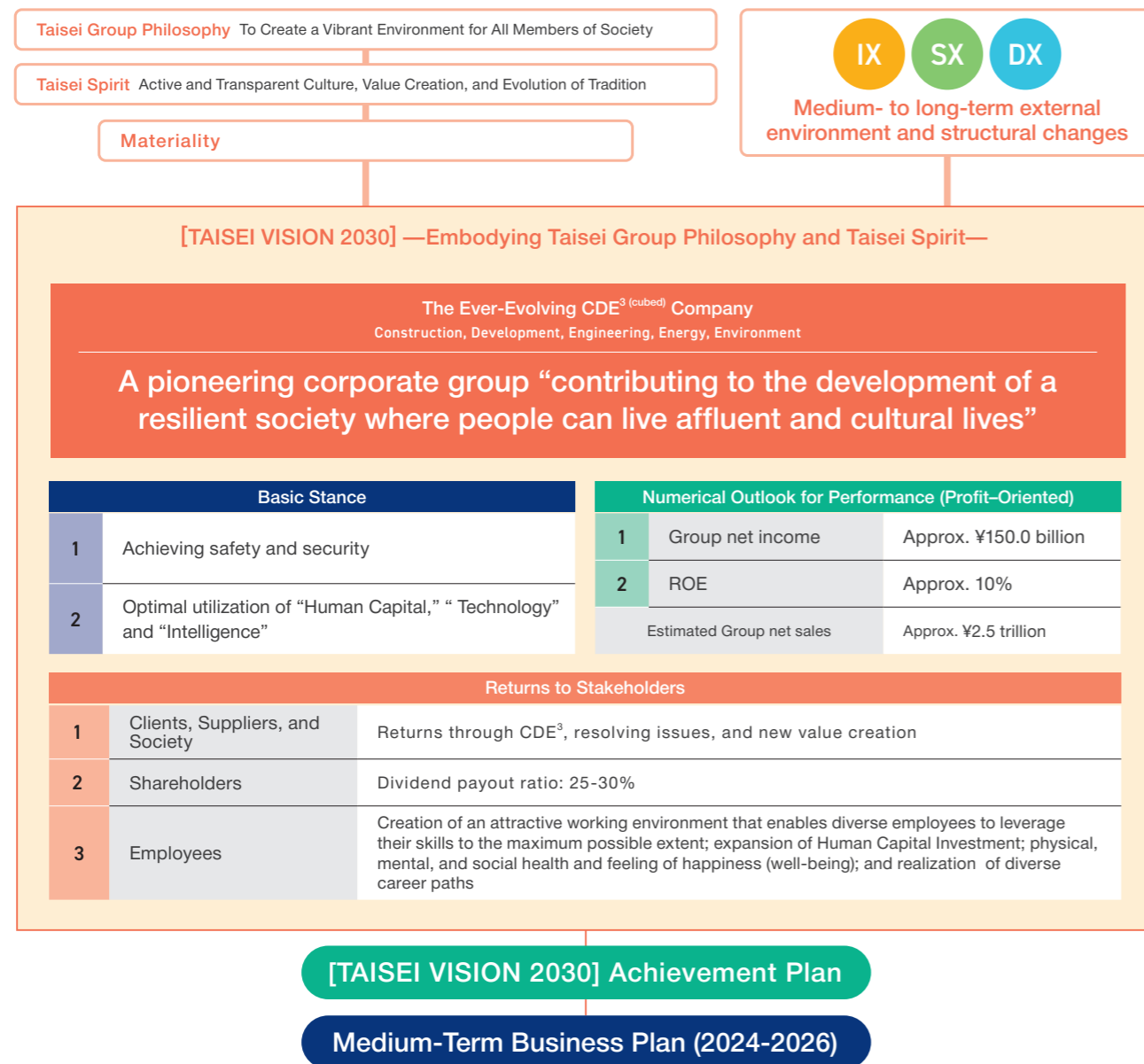
Towards the Realization of Our Vision

I. Medium- to Long-Term Vision

[TAISEI VISION 2030]

In 2021, based on our Group Philosophy, the Group formulated [TAISEI VISION 2030], setting forth the medium- to long-term vision of becoming “a pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives.” Building on the summary of the Medium-Term Business Plan (2021-2023), which served as the first phase towards realizing this vision, and considering the medium- to long-term external environmental and structural changes, we clarified our “profit-oriented” stance in May of this year. We also formulated the [TAISEI VISION 2030] Achievement Plan, which outlines priority issues and measures for the next seven years, along with the Medium-Term Business Plan (2024-2026), which details the goals and strategies for the second phase. By steadily implementing these initiatives, we aim to achieve profit growth and realize our vision.

Overview of [TAISEI VISION 2030]



Review of [TAISEI VISION 2030]

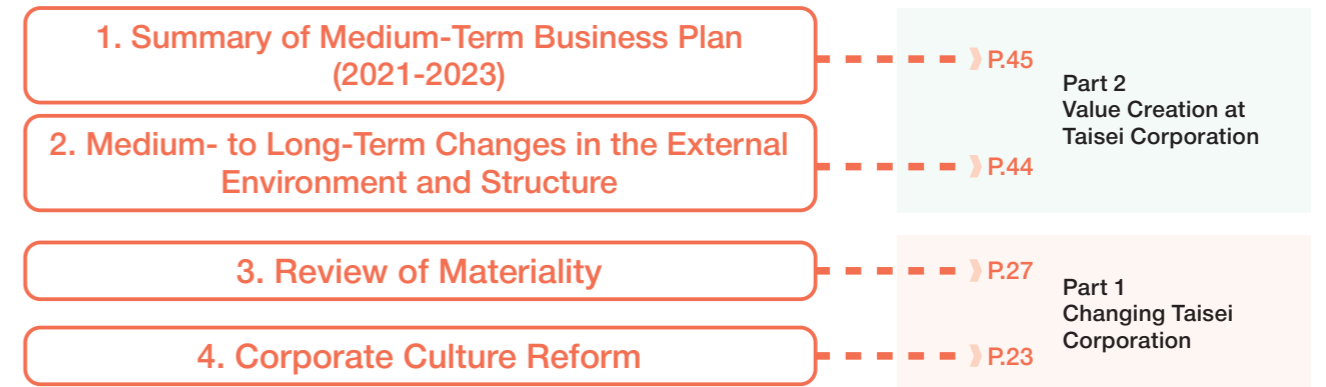
At the start of Phase 2 to achieve the goals set forth in [TAISEI VISION 2030], we reviewed the following three items:

- 1 To place a stronger emphasis on profit, we have designated “Group Net Sales” as a “estimated value” rather than a target.
- 2 In terms of returns to clients, suppliers, and society, we have incorporated more concrete measures aimed at solving problems and delivering new value to earn their respect and trust.
- 3 The approach to returns for employees has been revised to align with the concept of human capital, which is one of the fundamental management policy defined in the [TAISEI VISION 2030] Achievement Plan.

II. Assumptions for the [TAISEI VISION 2030] Achievement Plan

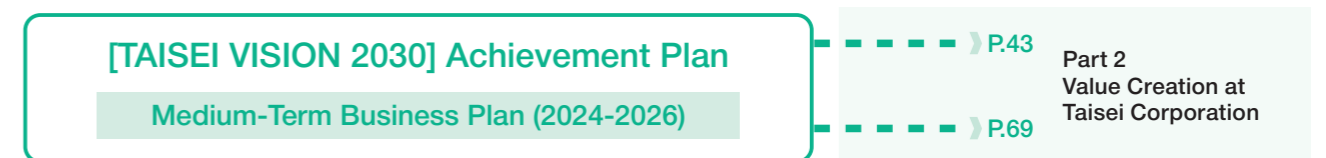
As a prerequisite to the [TAISEI VISION 2030] Achievement Plan, we have not only summarized the previous Medium-Term Business Plan along with medium- to long-term changes in the external environment and structure, but also identified the latest sustainability issues and reviewed materiality, with a focus on addressing environmental and social challenges through our business activities.

Furthermore, we acknowledge that the inappropriate events that occurred during the previous Medium-Term Business Plan period stemmed from corporate culture issues. To achieve [TAISEI VISION 2030] and enhance corporate value, management and employees are united in their determination to reform our corporate culture.



III. [TAISEI VISION 2030] Achievement Plan

With FY2030 approaching, we have outlined priority issues and measures in the “[TAISEI VISION 2030] Achievement Plan” to realize our vision and are implementing initiatives to achieve profit growth.



Corporate Culture Reform

The corporate culture we aim for

Corporate Culture Where Lives of Employees Are Respected

The communities, buildings, and infrastructure we create contribute to the lives of many people, including those who build, own, and use them.

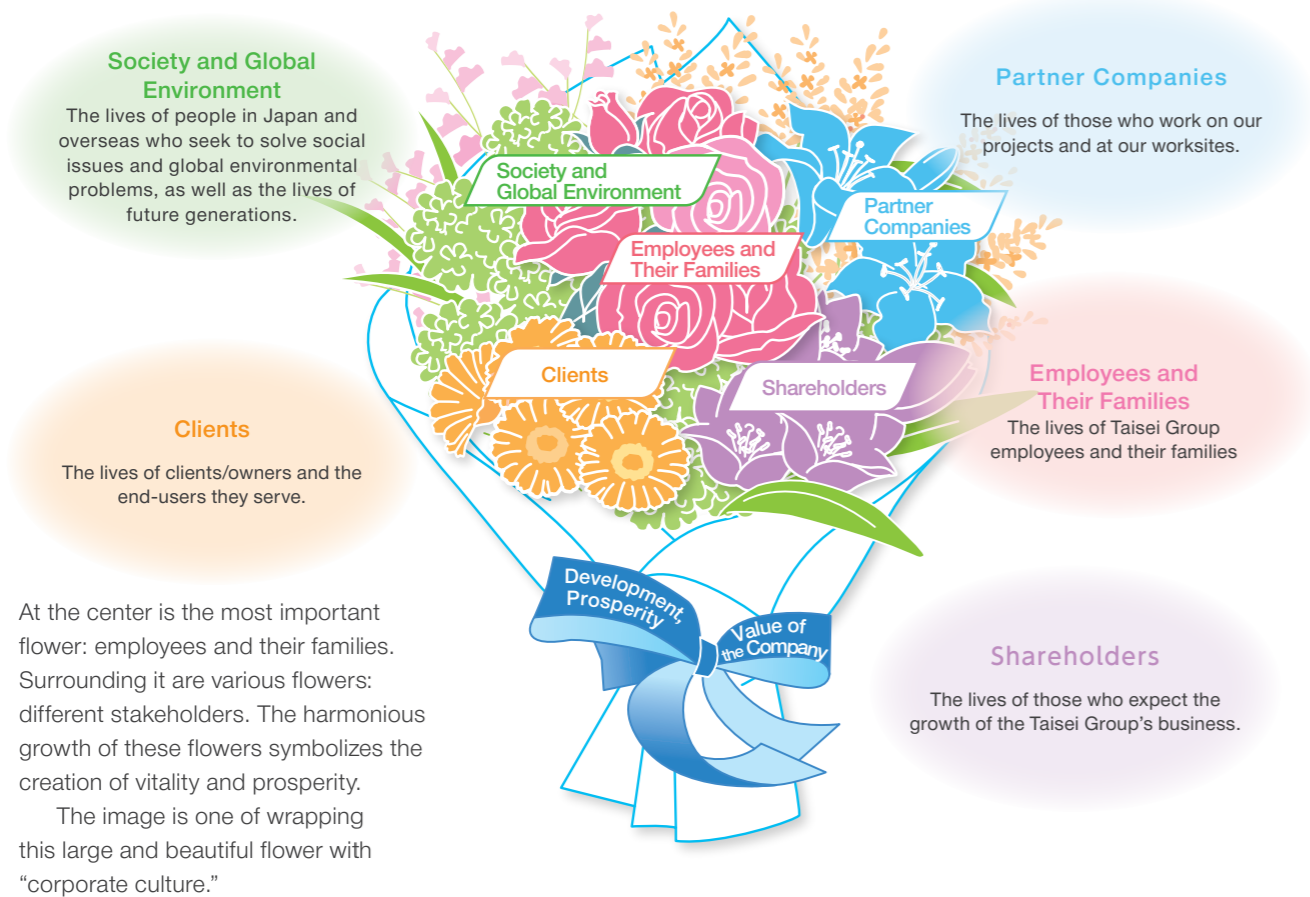
With a view to the future of everyone involved in our business, we strive to foster a “corporate culture where lives of employees are respected.”

By taking pride in our work, raising awareness as professionals, and maximizing our individual abilities to their fullest potential, we aim to provide value to our stakeholders.

In August 2023, we launched initiatives to reform our corporate culture. Executives and employees worked together for more than six months in discussions. As a result, the Management Committee decided to prioritize the well-being of employees in management, continue direct dialogue between management and employees, and create a work environment where the “Commitment of All Taisei Group Executives and Employees” can be fulfilled, with the goal of fostering a “corporate culture where lives of employees are respected.”

We will continue to advance corporate culture reform and aim to further enhance corporate value.

“Life” as Envisioned in a “Corporate Culture Where Lives of Employees Are Respected” Proposed by the Task Force

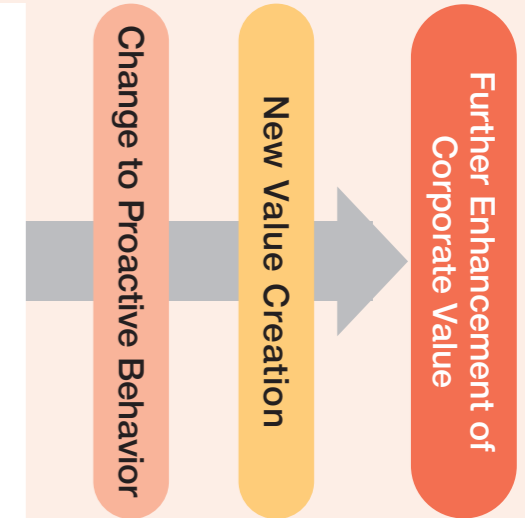


Commitments of All Executives and Employees and the Direction of Reform

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



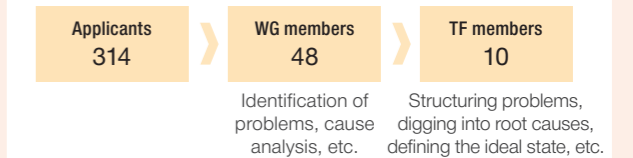
Past Initiatives and Promotion Structure

In October of last year, alongside the Management Committee activities, a working group (WG) of 48 members was formed.

These members were selected from a pool of 314 employees who responded to an open call, with 16 representatives each from young, mid-level, and managerial staff. The WG's primary focus was to identify and analyze the root causes of existing issues.

Furthermore, in January of this year, 10 members were selected from the 48 WG members through self-nomination and peer selection to form a Task Force (TF). This TF engaged in extensive discussions with the Management Committee to establish what we should aim for the ideal corporate culture. Subsequently, in the April Management Committee meeting, based on the TF's recommendations, the framework for corporate culture reform was finalized and announced in May. In July, the Corporate Culture Reform Facilitation Department was established directly under the president to facilitate the full-scale implementation of these reforms.

Employee Activities

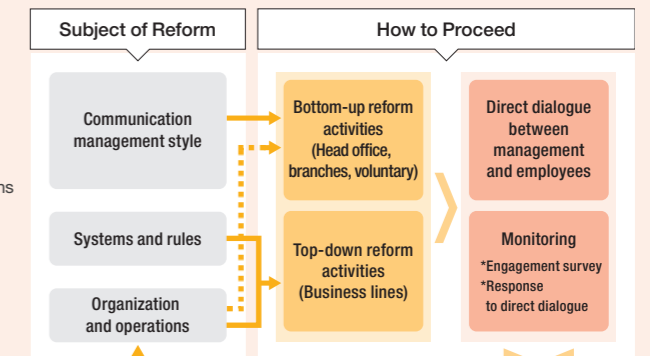


[Management Committee Activities]

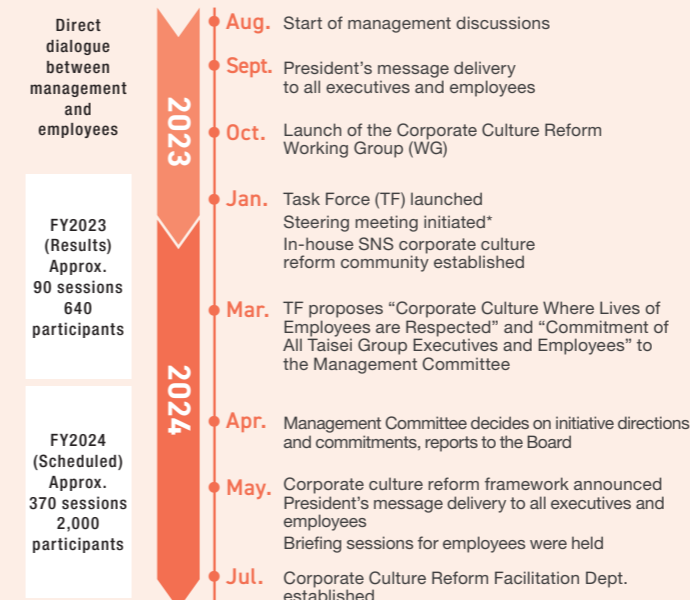


How to Proceed

With the Corporate Culture Reform Facilitation Department serving as a dedicated secretariat, we will promote two types of reform activities: bottom-up and top-down. We will continue direct dialogue between management and employees, create an environment and atmosphere where employees can freely act and speak, and establish a workplace where the “Commitment of All Taisei Group Executives and Employees” is fulfilled.



Corporate Culture Reform Facilitation Department promotes and supports the initiatives as a dedicated secretariat.



*Provides a forum for direct dialogue and exchange of opinions between President, Chief of Corporate Planning Office, Deputy Chief of Corporate Planning Office, and TF members.

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Message from the President
Changing Taisei Corporation
Value Creation at Taisei Corporation
Sustainability
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Data Section

Special Feature 1 Reforming Our Corporate Culture

With the aim of further enhancing corporate value, our “Corporate Culture Reform” has now entered the implementation phase. We interviewed the working group members who were central to these discussions. Moving forward, we will continue to prioritize employee feedback, fostering a corporate culture where both management and employees are united in cultivating an environment that respects the value of life.

Strengths

Q. What are the Taisei Group's strengths and areas that need change?

Strengths:

- A wealth of talented individuals and a company that takes pride in its people. (Branch, 30s)
- The ability to unite and give our all to achieve project goals. (Branch, 40s)
- Unrivaled technical and planning expertise. (Head Office, 50s and above)
- Having opportunities to contribute to society through our work. (Branch, 40s)
- The perseverance to find solutions even when faced with difficult challenges. (Head Office, 30s)
- A sincere and dedicated corporate culture with a passion for manufacturing. (Head Office, 30s)
- An environment that encourages us to pursue our aspirations for work and gives opportunities. (Head Office, 40s)

Areas That Need Change:

- An inward-looking mindset that prioritizes internal matters and a siloed corporate culture that hinders overall optimization. (Head Office, 30s)
- An intolerance for failure. (Head Office, 40s)
- A lack of open communication, making it difficult to express one's thoughts and opinions freely and hindering constructive discussions. (Branch, 40s)
- Outdated Showa-era thinking (e.g., the belief that hard work conquers all or that superiors' words are absolute). (Branch, 50s and above)
- An overemphasis on the opinions and directives of superiors at the Head Office, leading to a lack of independent thinking and the perpetuation of unnecessary practices. (Seconded employee, 30s)
- A culture that strives for perfection in every aspect. (Branch, 50s and above)

Areas That Need Change

Q. What is the most important thing to achieve a corporate culture where lives of employees are respected?

- Bridging the generational gap between superiors and subordinates by breaking down assumptions, fostering mutual understanding, and showing respect. (Branch, 40s)
- Feeling excited and motivated about work every day. (Head Office, 40s)
- Cultivating an environment that facilitates open dialogue and the exchange of ideas, regardless of age or position. (Branch, 30s)
- A fundamental shift in the mindset of those in evaluative positions (executives and department managers). (Branch, 50s and above)
- Embracing diversity by accepting differences, fostering mutual respect regardless of position, and encouraging open communication at all levels. (Branch, 50s and above)
- The passion of each and every employee. (Branch, 30s)

- Mutual understanding, respect, and a willingness to support each other's growth. (Head Office, 30s)
- Encouraging open and honest communication between superiors and subordinates. (Branch, 30s)
- Recognizing that changing corporate culture takes time and that it's important for every employee to feel a sense of gradual progress. (Branch, 50s and above)
- Moving away from a reliance on past practices and embracing a proactive mindset of “Let's give it a try!” (Branch, 30s)
- Valuing dialogue. Although our work is centered on manufacturing, I believe that the foundation of our business lies in human connection. (Branch, 20s)

Review of Materiality

In May 2024, alongside the formulation of the [TAISEI VISION 2030] Achievement Plan and the Medium- to Long-Term Business Plan (2024-2026), we positioned materiality as a high-level concept within our Medium- to Long-Term Business Plan, establishing it as a fundamental principle guiding our business activities. We also revised our materiality in light of the latest sustainability issues, identifying the following five key issues. To achieve our goals, we are integrating key measures and KPIs related to these material issues into the [TAISEI VISION 2030] Achievement Plan and other initiatives.

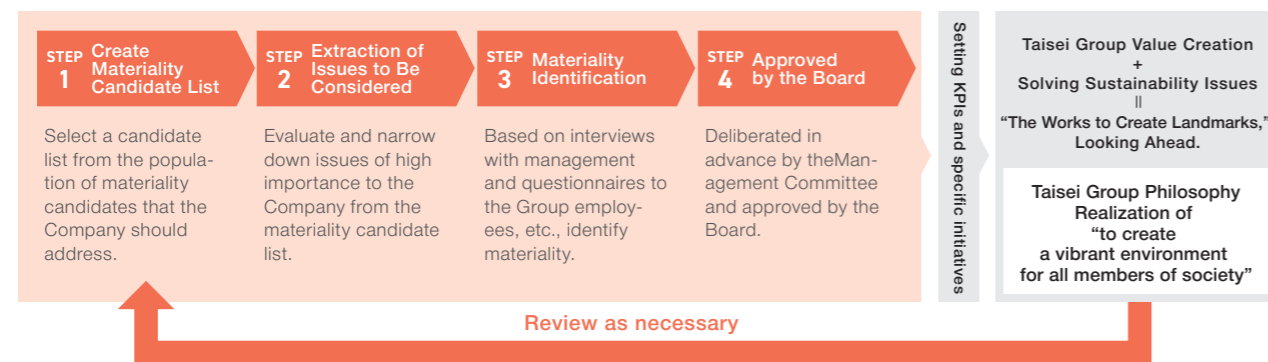
P.75 Sustainability Initiatives



Materiality Identification Process

The process for identifying and reviewing material issues is as follows:

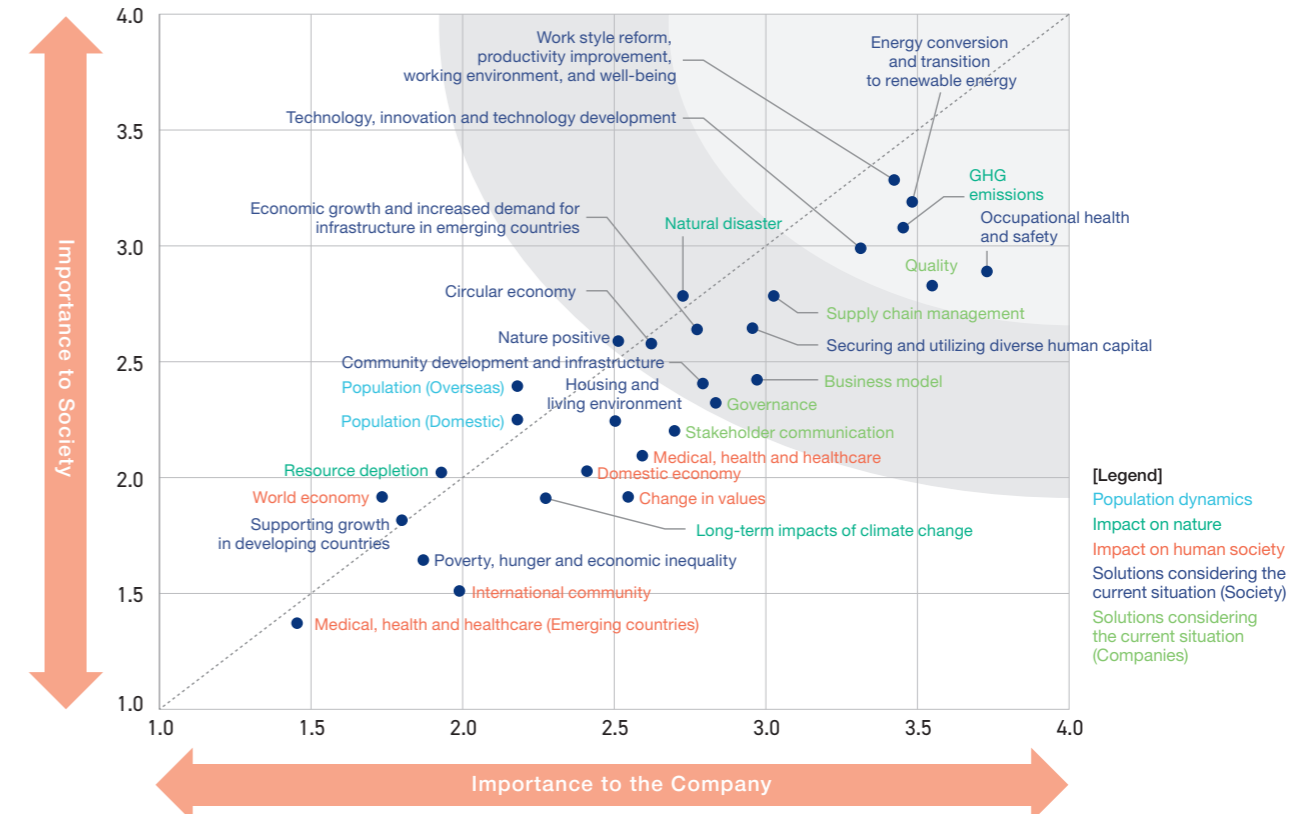
1. A working group consisting of the Corporate Planning Division, the Sustainability Division, and external experts extracted 482 sustainability issues from SDGs, SASB industry-specific materiality maps, and other sources, then consolidated similar issues into 123 items.
2. The working group considered two aspects: the "Impact of the environment and society on corporate activities and corporate finance (risks and opportunities)" and the "Impact of corporate activities on the environment and society (stakeholders) (risks and opportunities)," narrowing down the issues to 15 that are most significant for the Group.
3. Based on management interviews, questionnaires to the Taisei Group employees, questionnaires to our core subcontractors, and opinions of the Corporate Culture Reform Working Group, five material issues were identified that encompass all relevant aspects.
4. Approved by the Board after prior deliberation by the Management Committee and thorough discussion.



We have incorporated each identified material issue into the medium- and long-term business strategies of the [TAISEI VISION 2030] Achievement Plan and the key measures of the Medium-term Business Plan. KPIs have been established in the Medium-term Business Plan, and we are working to integrate them with our business strategies. We will continue to review our materiality as necessary, considering changes in the external environment and the opinions and expectations of our stakeholders.

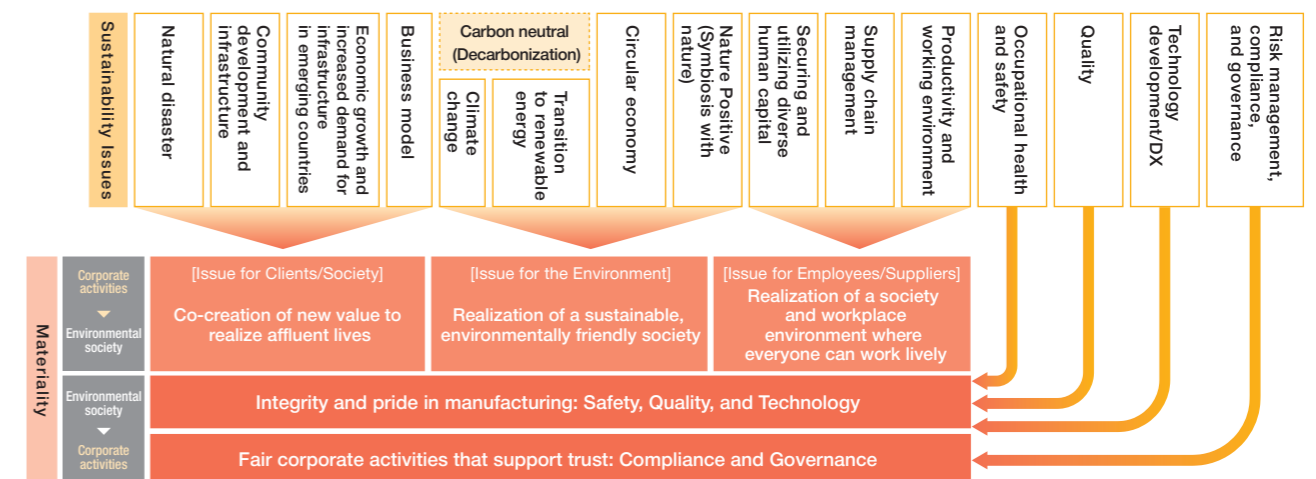
Identification of Evaluation Topics

In the process of reviewing materiality, the working group extracted and consolidated 123 sustainability issues. These issues were quantitatively evaluated and examined based on the importance of "risks and opportunities for the Company" and "risks and opportunities for society." As a result, 15 key topics that could be significant for the Group were identified.



Identification of Materiality

Based on the results of interviews with management and questionnaires to the Taisei Group employees regarding the 15 selected issues, we aimed to define materiality that encompasses all of these issues. To enhance stakeholders' understanding of the issues we recognize and the actions we are taking, we limited the number of materiality topics to five and focused on clear and concise descriptions.



Materiality and KPIs

The five identified material issues have been integrated into the key measures of the [TAISEI VISION 2030] Achievement Plan and the Medium-Term Business Plan (2024-2026). We have established the following KPIs and targets for each material issue and are actively working to address sustainability challenges.

The Corporate Planning Division and the Sustainability Division monitor the progress of these initiatives and regularly report to the Sustainability Promotion Committee. If there is a risk of not achieving the KPI, the causes are analyzed, and corrective actions are taken to ensure achievement. These conditions are reviewed in advance by the Management Committee and the Sustainability Committee and regularly monitored by the Board.

Materiality	What We Should Aim For	Sustainability Issues
<p>Issue for Clients/Society</p>  <p>Co-creation of new value to realize affluent lives</p>	<ul style="list-style-type: none"> To provide new values beyond our clients' imaginations by incorporating the social values required in the future into community development and infrastructure development through internal and external collaboration as well as open innovation. 	<ul style="list-style-type: none"> Natural disaster Community development and infrastructure Economic growth and increased demand for infrastructure in emerging countries
<p>Issue for the Environment</p>  <p>Realization of a sustainable, environmentally friendly society</p>	<ul style="list-style-type: none"> To contribute to the realization of a sustainable and environmentally friendly society through our business by developing and promoting environmental technologies and services while recognizing the impacts of our business activities on and from the environment, and complying with environmental laws and regulations. 	<ul style="list-style-type: none"> Natural disaster Carbon neutral (Decarbonized Society) <ul style="list-style-type: none"> Climate change Transition to renewable energy Circular economy (Recycling Oriented Society) Nature positive (Nature Co-Existing Society)
<p>Issue for Employees/Suppliers</p>  <p>Realization of a society and workplace environment where everyone can work lively</p>	<ul style="list-style-type: none"> To create an environment where everyone involved in the Group's business, including the employees in the Group and suppliers, can maximize their abilities in accordance with their own career plans. To respect the human rights of everyone involved in the Group's business. 	<ul style="list-style-type: none"> Securing and utilizing diverse human capital Supply chain management Productivity, working environment, and well-being
 <p>Integrity and pride in manufacturing: Safety, Quality, and Technology</p>	<ul style="list-style-type: none"> To strive consistently to further improve our abilities, recognizing again that safety, quality, and technology are the starting points for customer satisfaction and the solution of social issues. 	<ul style="list-style-type: none"> Occupational health and safety Quality Technology development / DX
 <p>Fair corporate activities that support trust: Compliance and Governance</p>	<ul style="list-style-type: none"> To thoroughly ensure compliance in order to increase our stakeholders' trust, and to maintain a governance system to maximize corporate value and prevent damage. 	<ul style="list-style-type: none"> Governance, compliance, and risk management

Review of Previous KPI: Worksite Implementation Rate of an 8-Day Site Closure per 4 Weeks

The Worksite implementation rate of the 8-day site closure per 4 weeks was a KPI in the Medium-Term Business Plan (2021-2023), with a target of 100% implementation in FY2023. However, we fell significantly short of this target, particularly at construction worksites. Correcting long working hours and securing holidays are important issues not only for the Group but also for the entire construction industry, including the supply chain, and the implementation of the 8-day site closure per 4 weeks is the most effective measure. We will continue to aim for 100% implementation, collaborating with our supply chain to improve productivity and implement efficient construction, including mechanization and automation. We will also collaborate with industry groups to gain clients understanding and work towards achieving this goal.

For other KPIs and results up to FY2023, please visit the Company's website.  Taisei Group's Materiality

Major KPIs and Targets			
	FY2023 Results	FY2026 Targets	FY2030 Targets
Number of regional collaboration projects	9 cases	15 cases	50 cases
ZEB ratio of design and build projects (ratio by area) ^{*1}	40%	70%	100%
Customer satisfaction	Building Construction 82.8% Civil Engineering 98.3%	Building Construction 100% Civil Engineering 100%	Building Construction 100% Civil Engineering 100%
Total CO ₂ emissions and reduction rate (Scope 1 + 2)	290,000 t-CO ₂ ^{*5}	-18% compared to FY2022	-42% compared to FY2022
Renewable energy generation capacity	123GWh ^{*6}	170GWh	220GWh
Final disposal rate of construction waste	2.8%	3.0%	3.0% or less
Number of projects contributing to Nature Positive	50 cases	50 cases	50 or more cases
Engagement score	B 50.2	BBB 55	A 60
Percentage of newly employed female graduates	22%	27%	30%
Percentage of confirmation on supplier's sustainability activities	54%	100%	Group 100%
Implementation rate of 8-day site closure per 4 weeks	Building Construction 39% Civil Engineering 69.6%	Building Construction 100% Civil Engineering 100%	Building Construction 100% Civil Engineering 100%
Number of fatal accidents and serious accidents ^{*2}	0 cases	0 cases	0 cases
Number of major quality-related problems ^{*2}	0 cases	0 cases	0 cases
Number of major external awards ^{*3}	Building Construction 11 awards Civil Engineering 8 awards	Building Construction 12 awards Civil Engineering 6 awards	— —
Number of patent applications	837 cases (3 years total)	840 cases (3 years total)	1,100 cases (4 years total)
Number of digital advanced usage site offices (Cumulative) ^{*4}	290 worksites	650 worksites	All worksites
Number of serious compliance violations ^{*2}	1 cases	0 cases	0 cases
Number of serious security incidents ^{*2}	0 cases	0 cases	0 cases

*1: Common KPIs for the realization of a sustainable, environmentally friendly society. *2: Incidents and accidents that occur in the business activities of the Company that may cause serious loss to the management of the Company and its Group companies. *3: Architecture: BCS Award, Annual Architectural Design Commendation of Architectural Institute of Japan, Young Architect Award for Selected Architectural Designs of the Architectural Institute of Japan, Selected Works of the Architectural Institute of Japan, BELCA Award, The Institute of Electrical Installation Engineers Award (technical Category), Japan Illumination Award, Minister of the Environment Awards for Climate Action. Civil Engineering: JSCE Awards (Outstanding Civil Engineering Achievement Award, Innovative Technique Award, Tanaka Award), and Japan Federation of Construction Contractors, Doboku Prize. *4: Cumulative number of site offices with T-Basis[®] and T-Digital[®] Field installation. *5: Figures are for FY2022. *6: Including investment already determined.

Special Feature 2 Integrity and Pride in Manufacturing

To Strive for Customer Satisfaction and Solve Social Issues

—Response to the Incident That Occurred Last Year

A panoramic view of the Steel Frame Academy

As a group responsible for building social infrastructure through our core business in the construction industry, safety, quality, and processes are the foundation of our operations and the cornerstone of customer satisfaction and addressing social issues. Last year, we encountered a quality issue with the (Tentative Name) Sapporo Kita 1 Nishi 5 Project and a delay in the construction work for the Setagaya City Government's main office building. We have taken to heart the feedback from our clients and related parties, along with the findings from the Compliance Committee as a Special Committee and the Technical Verification Committee, which were established to analyze the causes of the quality issue and to prevent its recurrence. To ensure that such incidents do not happen again, we have identified the key issues listed below and are implementing company-wide countermeasures.

In addition, from a governance perspective, the Board receives periodic reports from the executive side on the implementation status of the following measures

and confirms and deliberates on their effectiveness. In particular, we are paying close attention to the independence of the Quality Control Division under the direct supervision of the president, the appropriate allocation of personnel commensurate with the volume of business, and the promotion of communication between divisions, which are key to preventing recurrence.

Going forward, all executives and employees will continue to make daily efforts to satisfy clients and solve social issues, with "Integrity and Pride in Manufacturing" and under the slogan "TAISEI QUALITY: Quality is Our Pride," through sincere and reliable quality and process management.

In addition to addressing the issues below, we are promoting corporate culture reforms to resolve pressing issues such as the legal upper limit on overtime working hours, which has been applied to the construction industry since FY2024, and to further ensure the realization of [TAISEI VISION 2030].

› P.23 Corporate Culture Reform › P.100 Quality

Corporate Culture Reform

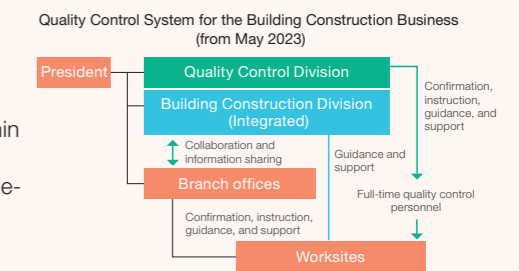
Challenges to Be Addressed	Countermeasures	Main Actions to Be Implemented
Incomplete quality control processes and lack of awareness regarding quality control	Strengthening the quality control system	<ul style="list-style-type: none"> Establishment of a Quality Control Division under the direct supervision of the President Assignment of full-time quality control personnel to branch offices
	Further enhancement of technical education	<ul style="list-style-type: none"> Implementation of refresher training on quality management processes Establishment of a Steel Frame Academy Support provided by the Technical Consultation Desk of the Building Construction Division
Insufficient human resources	Thorough allocation of appropriate personnel in line with business volume	<ul style="list-style-type: none"> Acceptance of construction orders that consider appropriate workload Introduction of a talent management system to ensure proper staffing Improvement of productivity through the use of IT-related technologies
Process verification at the bidding phase	Implementation of verification based on an appropriate construction period and suitable staffing, taking into account various conditions affecting the process	<ul style="list-style-type: none"> Thorough implementation of appropriate construction period confirmation in various meetings (head office and branches) at the bidding phase
Process verification after the commencement of construction		<ul style="list-style-type: none"> Strengthening the confirmation and follow-up of process control status by the head office and branch offices
Coordination among worksites, branches, and the head office	Information sharing among divisions, departments, and related parties	<ul style="list-style-type: none"> Conducting discussions between branch managers and worksite staff

Main Items Implemented

Establishment of Quality Control Division under the Direct Supervision of the President

In May 2023, we established the Quality Control Division directly under the President's supervision to strengthen the quality control system within the building construction business and ensure thorough adherence to quality control processes. This division is specifically tasked with overseeing and guiding quality control efforts. Its role includes inspecting the quality processes during construction to ensure smooth execution that aligns with customer requirements and contractual agreements. Specifically, the division assesses the implementation status of the quality control processes from an independent, third-party perspective during the head office's Quality Patrol, as well as interim and final inspections, in accordance with the Construction Operation Standards. If any construction work does not comply with the established quality control processes or if issues are identified on-site, the division instructs the project manager to correct the issues within a specified timeframe. If the necessary corrections are not made, the division orders the branch office to halt the work until compliance is ensured.

Moreover, the division regularly audits the activities of the technology control departments and sections within the branches, providing ongoing support and guidance to maintain the effectiveness of the quality control processes. This support and guidance are also extended to the worksites and the full-time quality control personnel within the branches.



Full-Scale Operation of the Steel Frame Academy

In FY2024, we launched the Steel Frame Academy to provide comprehensive education on steel frame construction. This program is aimed at employees and temporary staff with limited experience in steel frame construction, including those from the Group companies. The three-day curriculum includes both classroom lectures and hands-on training, where participants thoroughly learn key aspects of steel frame construction by "checking the actual product" through mockups installed at our prestressed concrete (PC) factory. We plan to hold over 20 sessions this fiscal year, aiming to enhance the skills of numerous employees and ensure robust quality control in steel frame construction.



Training exercise for mastering the skill of bolt tightening

Support for Worksites Through a Technical Consultation Desk

In April 2024, we established a technical consultation desk as a point of contact for worksites seeking technical advice. The Technology Control Department of the Building Construction Division handles inquiries via email, addressing questions such as "What technical considerations should be made?" and "What are the critical points to note about this material?" Through this service, we provide appropriate advice to support quality control at the worksites.

Utilization of Digital Technology and Data

As part of the [TAISEI VISION 2030] Achievement Plan, under the theme "Business Transformation: DX," we have identified priority areas for advancing production processes. These include the "automatic acquisition and storage of all the data on completed works and quality control data using IoT" and the "advanced management through digital twins (visualization of worksite conditions)." We are actively promoting the enhancement of quality control operations through the use of digital data.

› P.96 DX

Roundtable Discussion with External Members of the Board and the Chairman of the Board

To Deepen Discussions on the Group's Growth from the External Perspectives and Achieve the Targets in [TAISEI VISION 2030]

The Taisei Group has addressed its corporate culture reform and the achievement of the target in [TAISEI VISION 2030] with determination, by adopting a clear “profit-oriented” approach. In this roundtable discussion, four External Members of the Board and the Chairman of the Board shared their views on the role the Board must play in realizing what we should aim for.

This roundtable discussion took place in May 2024 before External Member of the Board KOIDE assumed her position in June 2024, thus she did not participate.

▶ P.106 Message from the New Executives

External Member of the Board
Chairperson for the
Sustainability Committee

**Fumiya
KOKUBU**

He has wealthy experience in global corporate management as Chairman of the Board of Marubeni Corporation and profound knowledge of international business, investment in business, and other business.

External Member of the Board
Chairperson of the
Governance System Review
Committee

**Atsuko
NISHIMURA**

She has profound knowledge of international affairs, based on her wealthy international experience as a former diplomat.

Chairman, Representative Director
Chairman of the Board

**Shigeyoshi
TANAKA**

He currently serves as Chairman of the Board after previously holding the position of Executive Vice President and Representative Director of the Company, and formerly served as President of the Japan Society of Civil Engineers, contributing to the development of the construction industry and addressing social issues.

External Member of the Board
Chairperson of the Executive
Personnel Committee
Chairperson of the
Remuneration Committee

**Norio
OTSUKA**

As the former President and Chief Executive Officer, Representative Director of NSK Ltd., he has profound knowledge of corporate management, the financial field, and other areas.

External Member of the Board

**Tsutomu
KAMIJO**

He has distinguished knowledge of corporate management across various industries, drawing from his experience as the former President and Chief Executive Officer, Representative Director of Sapporo Holdings Limited.



Formulation of the [TAISEI VISION 2030] Achievement Plan Articulating “Realizing Improvement in Profit” Towards a Realization of What We Should Aim For

TANAKA: In both the [TAISEI VISION 2030] Achievement Plan (hereafter referred to as the “Achievement Plan”) and the Medium-Term Business Plan (2024-2026) (hereafter referred to as the “New Medium-Term Business Plan”), the Group has clearly emphasized a profit-oriented approach. First of all, could you share your evaluations of the newly formulated Achievement Plan and the New Medium-Term Business Plan?

NISHIMURA: The formulation of these plans was prompted by the rapid acceleration of the three Xs (IX, SX, and DX) and intensifying competition in receiving orders, which were the underlying assumptions of [TAISEI VISION 2030]. Additionally, it was necessary to formulate new corporate strategies and policies, by conducting a thorough analysis of the factors that led to the failure to achieve the numerical management targets of the previous Medium-Term Business Plan (2021-2023) (hereafter referred to as the “Previous Medium-Term Business Plan”) and utilizing the lessons learned from the quality control issues that occurred last year. The Achievement Plan also incorporates measures for corporate culture reform, reflecting these considerations. To regain the trust and respect of the market and ensure our continued growth, it is crucial for the Group to reform its foundational corporate culture and effectively implement both the Achievement Plan and the New Medium-Term Business Plan.

OTSUKA: Having served as an External Member of the Board since 2019, I feel a sense of responsibility for the significant shortfall in the Previous Medium-Term Business Plan. Following the anticipation of business opportunities surrounding the Olympic Games Tokyo 2020, the subsequent COVID-19 pandemic, and the end of the era of deflation, the global business environment has changed drastically. While the future remains uncertain, it is undeniable that we misjudged the trend of significant shifts in the market and economic environment.

In light of the failure to achieve the numerical management targets of the Previous Medium-Term Business Plan, it marks the first step for the Group towards realizing what we should aim for in 2030, to consistently implement the Achievement Plan and the New Medium-Term Business Plan, which we formulated through numerous discussions led by the Board, and achieve the results.

One of our major roles is to enhance corporate value, and I think the market capitalization value is the most straightforward indicator. To increase market capitalization value, we must improve our business performance and enhance EPS (earnings per share). The Board's clear commitment to a profit-oriented approach and the initiation of discussions in consideration of market evaluations are significant steps



forward, and I believe we have made a strong start towards achieving what we should aim for in 2030.

KOKUBU: I agree with his opinion with regard to an assessment of our business environment. We are indeed at a major turning point, and it feels as if current executives, both in the Company and across industries, are navigating through a fog of uncertainty at full speed. I believe the negative events that occurred during the Previous Medium-Term Business Plan period represented the widening gap between the era and our corporate culture, and it is crucial that all of our executives and employees work together in the same direction than ever towards achieving [TAISEI VISION 2030].

While management efficiency is important, our challenge is how to maintain a balance with our scale of business and take advantage of a positive spiral where returns exceed the cost of shareholders' equity.

KAMIJO: Since I took on the position of an External Member of the Board last year, I have felt that we should have more discussions and exchange our views on “what the growth for the Group truly means.” From the perspective of the value I gained through my experience in the manufacturing industry, the most favorite phrase within the Group is “The Works to Create Landmarks.” However, a recent incident ruined our important messages, which convey the Group's value and brand both internally and externally. As our response to such an incident, we came up with the Achievement Plan and the New Medium-Term Business Plan, outlining how we should regain trust and fulfill the expectations and demands of society. If we deeply contemplate the meaning of growth for the Group and proactively implement “The Works to Create Landmarks,” the results of achieving the targets will take care of themselves.

TANAKA: For the construction industry which is involved in the infrastructure business, it is also important to expand the field of contribution to the society through expanding the scale of our business. However, I regret that, as a result of overemphasizing the amount of orders received and net sales, we suffered unfavorable performance of the Company in the past few years. Executive Officers are expected to diligently implement the measures for business recovery, presenting their rationale and feasibility based on a thorough analysis of the current situation. Additionally, towards realizing management that is conscious of the cost of capital and stock price, we are implementing measures clarifying what we should aim for after carefully examining corporate management indicators.

To realize what we should aim for in FY2030 and achieve sustainable growth beyond afterwards, it is essential for the Company not only to have the capability to implement measures but also to secure and develop human capital. While it is in fact challenging to achieve all measures at once, we will, in coordination with the executives, steadily implement such measures towards what we should aim for.

Review of the Materiality Being Aligned with the Era and the Group's Issues to Be Dealt with, Incorporating Diverse Perspectives Within and Outside the Company

TANAKA: While it becomes increasingly important to actively address environmental and social issues through the business operations, we have revised our materiality, the key issues vital to the Group, in conjunction with the formulation of the Achievement Plan and the New Medium-Term Business Plan. I believe that the materiality is now clearly better organized, focusing specifically on matters related to society, our executives and employees, and compliance and governance. Could you please share your views on the new materiality, looking back on the discussions we had at the Board meetings?

NISHIMURA: In the review process this time, we gathered input from a wide range of our stakeholders, including the Group's executives and employees, and business partners, narrowed down the points from that input, discussed at the Management Committee and the Board, and positioned the materiality as higher concept of what we should aim for in the long-term, second to the Taisei Group Philosophy and Taisei Spirit. I appreciate this process was important.

Our new materiality reflects the increasing importance of sustainability management in recent years and emphasizes how the Group should contribute to society as a member of the society. Furthermore, an addition of the materiality focusing on "people" is aligned with the era and the Group's issues to be dealt with, and I think this has been clearly articulated from the external perspectives as well.

OTSUKA: As we are about to implement the corporate culture reform process, it is significantly meaningful that we have redefined the issues we consider crucial in our own words. I believe that the new materiality has become something that all executives and employees can be convinced and committed to as a foundation for their actions.

KOKUBU: I find it regrettable that "work environment" and "compliance" still need to be specifically addressed as material issues, indicating that these areas require further improvement. I will continue to advocate for and monitor progress to ensure that these aspects become so deeply ingrained in our corporate culture that they will no longer need to be highlighted as separate material issues in future reviews.

KAMIJO: Materiality is a verbalization of the changes in society and the challenges in corporate management, and it's common to see similar items listed across companies. The crucial factor is whether or not the contents of the materiality would be substantiated. I also believe that we need to ensure that our executives and employees can take actions or decisions for granted, so that "compliance" is no longer one of the materiality of the Company in the next time of review.

To Suggest from the External Perspectives and Support the Corporate Culture Reform in Light of External Environment.

To Suggest from the External Perspectives and Support the Corporate Culture Reform in Light of the External Environment

TANAKA: Next, I would like to ask you about corporate culture reform. Last year, when a series of inappropriate incidents occurred, our External Members of the Board pointed out that "the issues within our corporate culture might be the background of the incidents." I, myself, was surprised to find out and



enlightened in subsequent conversations with employees that many of them were indeed aware of and concerned about these issues. Currently, we recognize significant room for improvement in the Group's engagement score.

Though the corporate culture reform and the improvement of the employees' engagement are long-term endeavors, the Board is committed to reviewing whether or not the measures taken by the executives produce a good effect, including the review of the results of the engagement survey, and supporting their actions.

OTSUKA: Some aspects of the corporate culture we've cultivated over the past 150 years are no longer aligned with the present times. It is significantly meaningful that both the management and employees worked together to identify what should be maintained with pride, such as "TAISEI QUALITY," and what needs to be changed to adapt to the era, and articulated in their own words new materiality and the corporate culture we should aim for.

I have often heard within the Company that "our strength lies in our worksites." In the past, delegating the authority of the Company to the worksite was considered the most efficient way to promote the projects, and when capable human capital was empowered with a certain degree of discretion, they delivered successful results, even under challenging circumstances, and were recognized for their contributions within the Company.

However, society, the environment, and relationships with the clients have changed drastically since such an era. As the Company has grown, I think that the sense of distance between the worksite and the head office has changed drastically compared to when the current management members were working at the worksites. I believe that it is at core of the corporate culture reform that the management understands the current realities of the worksite and reevaluates the sense of distance from the head office.

KOKUBU: I believe the key to corporate culture reform is whether or not we can ensure psychological safety in the workplace. It's about there is an environment where employees can report their mistakes without hiding those mistakes, and the employees voluntarily work rather than being forced to work. I believe these two factors are important.

KAMIJO: This means that our past approaches will not work in this era. It becomes the key point now whether or not the executives and employees do not expect loyalty to the company, voluntarily work empathizing with the company's philosophy, and can contribute to the company together. I understand that the corporate culture reform this time is the Company's commitment to building an organization that can empathize. In addition, the role of middle managers in supporting this reform is also crucial, and we need to take them into account.

NISHIMURA: Corporate culture reform is very important for employing and securing talented human capital as well. And, the practical implementation of the Taisei Spirit of "Active and

Transparent Culture," "Value Creation," and "Evolution of Tradition" at the worksites is what leads to value creation.

The recommendations from the Task Force have been presented as the "Commitment of All Taisei Group Executives and Employees." To drive reform across the Company, it's essential for the management team to take the lead and for all executives and employees to share a sense of ownership on these initiatives. We, as the Board will closely monitor the progress, especially at the worksites, and support these initiatives by providing constructive advice and recommendations.

To Enhance the Board's Effectiveness by Activating Discussions in the Committees Within the Board

TANAKA: Now, I understand our Company is currently under intense scrutiny from the market. In the past, the construction industry had focused primarily on getting positive evaluations from the clients, and had lacked the perspective of how the industry was evaluated by the society. While we have received valuable insights from External Members of the Board from the external perspectives, could you please share the current status of deliberations and any challenges you may have faced in the committees within the Board you chair?

NISHIMURA: In 2020, the Governance System Review Committee which I chair, significantly delegated its authority to the executive side aiming at strengthening the Board's supervisory function, enhancing deliberation, and accelerating decision-making in business execution, and established the Management Committee to accommodate such delegation. Since then, we have worked to continuously improve the Board's operations in light of the results of the annual effectiveness review of the Board. Last fiscal year, we also delegated the authority to the executive side as needed, and we remain committed to fostering active and productive discussions at the Board, so that the Board can focus on medium-to long-term strategies and facilitate deeper discussions on critical management issues.

OTSUKA: I chair the Executive Personnel Committee and the Remuneration Committee, both of which address a wide range of agendas. For the Executive Personnel Committee, the formulation of succession plans to develop the next generation of executives. We will engage in deep discussions on the necessary qualifications and abilities of the management, the roles that the management should play, and the methods for the selection and development. Meanwhile, the Remuneration Committee is continuously deliberating on how we can set our remuneration system to contribute to the Company's sustainable growth and enhance corporate value over the medium-to-long-term. In particular, we plan to implement individual performance evaluations for the officers within FY2024.



KOKUBU: I chair the Sustainability Committee. Having addressed social issues for over 150 years, sustainability initiatives are the core of our business operation. I believe it is necessary to discuss the position of the Sustainability Committee and we will suggest new perspectives on sustainability and methods of information disclosure, in light of the changing of the era.

Towards Sustainable Growth and the Enhancement of Corporate Value in the Medium-to-Long-Term

TANAKA: Lastly, could you tell us about the roles of the Board and yourself in achieving sustainable growth and the enhancement of corporate value in the medium-to-long-term for the Group?

KOKUBU: I believe that the role of an External Member of the Board is to point out any aspects of corporate culture or common sense that are out of step with those in society, and to opine and act from the external position in case the executive side goes out of control.

NISHIMURA: The Company has strengths in each operating division, built upon a foundation of tradition and accomplishments. However, in order to avoid excessive sectionalism, I will oversee the promotion of the Achievement Plan and the New Medium-Term Business Plan from the viewpoint of how the Company can grow as a whole, including the establishment of a common foundation and optimized allocation of the resources.

Furthermore, as the business environment surrounding the Group changes and business risks become more complex, I will continue to pay close attention to compliance, governance, and safety, and especially, opine and advice on the global business trends utilizing my experience as a former diplomat.

OTSUKA: I see my role as monitoring the progress of the Achievement Plan and the New Medium-Term Business Plan, and ensuring the diligent implementation of the tasks assigned to the Executive Personnel Committee and the Remuneration Committee.

KAMIJO: In addition to the generally expected role of overseeing the executive's management, I will support the Group's growth from the external perspective, with a value that is not bound by "Taisei's common sense."

TANAKA: While the executive's discussions naturally tend to focus on their respective divisions or fields in charge, it is crucial for the Board to discuss the Group's overall growth strategies from the perspective of what the Company should do considering the overall optimization. We would like to have a more substantive discussion, by further accelerating the delegation of authority to the executive side within the appropriate range, and ensuring ample time for thorough deliberation at the Board.

Thank you for sharing your valuable insights today.