



Part 4

Governance

The Taisei Group is committed to enhancing corporate governance, compliance, and risk management, recognizing the materiality of “fair corporate activities that support trust.” We will continue to build a solid foundation that will support sustainable growth and the enhancement of corporate value moving forward.

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Shinjuku Fukutoshin area where the head office is located

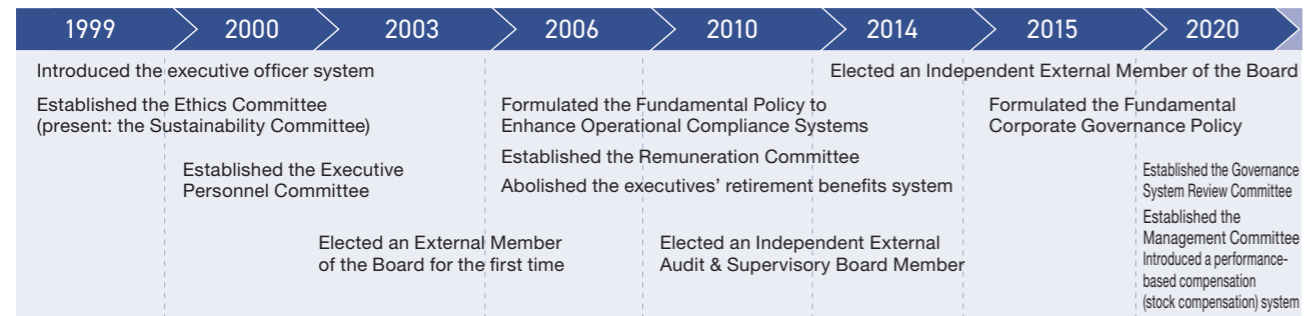
Corporate Governance

Fundamental Approach

The Group's basic policy on corporate governance is to ensure prompt, accurate, fair and transparent management decision-making in order to achieve sustainable growth as a company and gain the trust of society. The Group implements measures in accordance with its Fundamental Corporate Governance Policy, which is formulated based on the principles of the Corporate Governance Code.

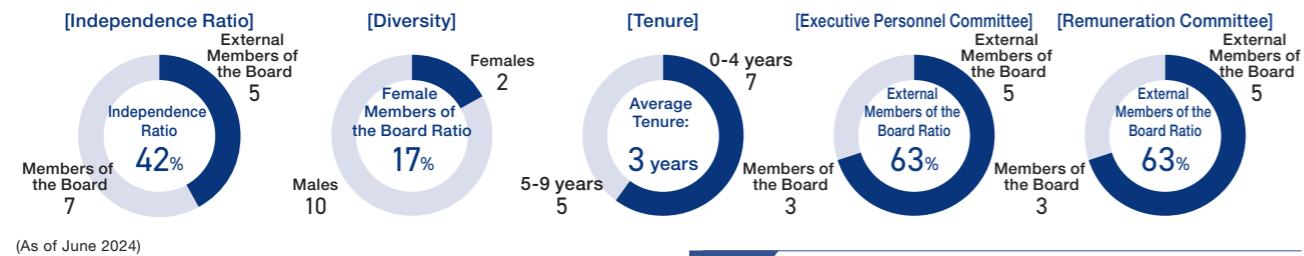
Fundamental Corporate Governance Policy

Evolution of the Company's Governance



Corporate Governance System Overview

We have adopted a company with an Audit & Supervisory Board structure. The roles and composition of both the Board and the Audit & Supervisory Board are as follows: To further enhance the effectiveness of the Board, we have established several committees within it, including the Governance System Review Committee, the Executive Personnel Committee, the Remuneration Committee, and the Sustainability Committee. These committees are chaired by an Independent External Member of the Board to ensure the independence, objectivity, and accountability of their functions. Additionally, Independent External Audit & Supervisory Board Members participate as observers in these discussions. To facilitate efficient business execution, we have implemented an executive officer system and established a Management Committee as the decision-making body. We have also established various committees, such as the Sustainability Promotion Committee and the Risk Management Committee, to deliberate on matters related to the Management Committee and the President's consultations. Furthermore, we have established a Compliance Committee, chaired by an external expert, to provide specialized responses to consultations from the President.



(As of June 2024)



Board

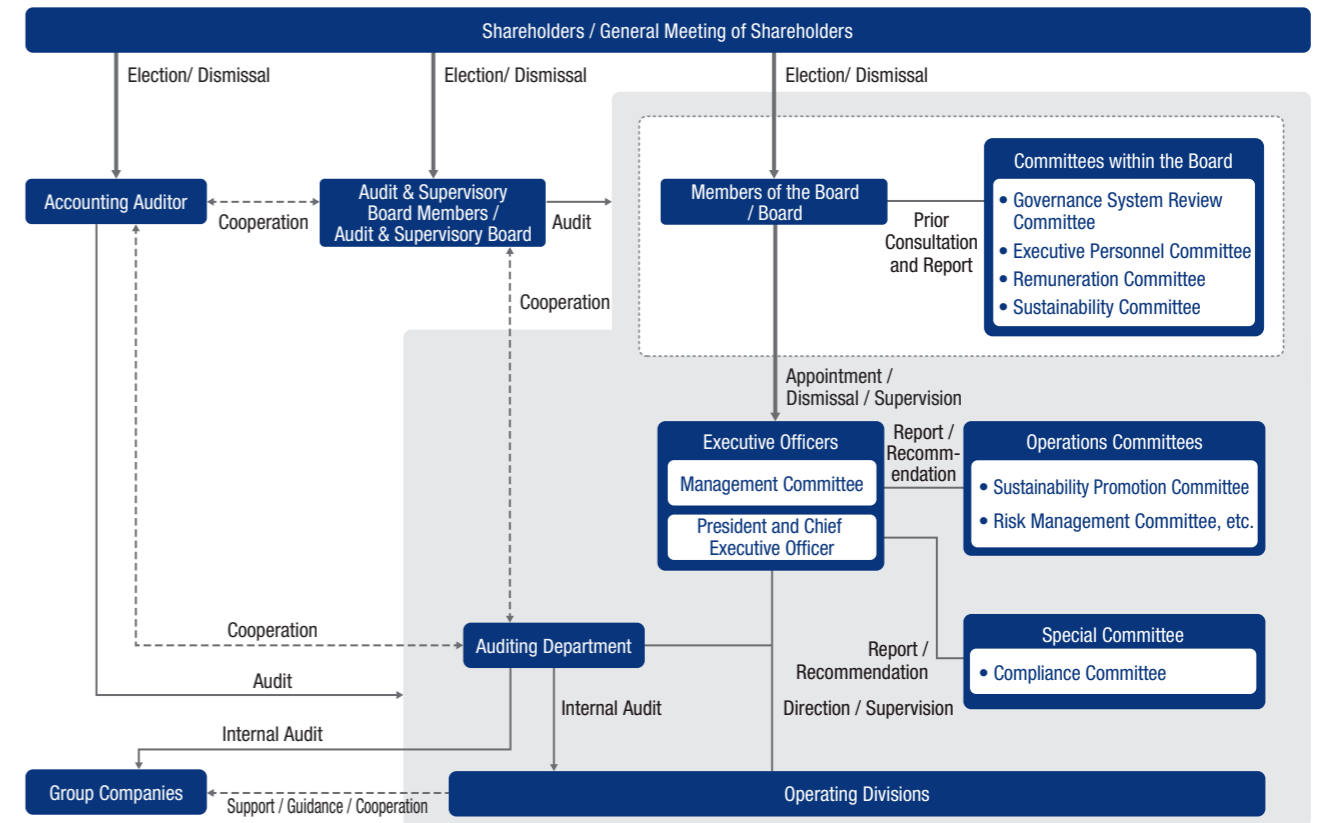
Roles and Responsibilities	<ul style="list-style-type: none"> The Board is responsible for ensuring the Company's sustainable growth and enhancing its corporate value over the medium-to-long-term. It fulfills its primary roles and responsibilities by (1) defining the overarching direction of corporate strategy, (2) creating an environment that enables the management team to take appropriate risks, and (3) providing independent and effective oversight of management and directors.
Composition	Chairperson: Shigeyoshi TANAKA, Chairman of the Board

Audit & Supervisory Board

Roles and Responsibilities	<ul style="list-style-type: none"> The Audit & Supervisory Board receives audit reports from each Audit & Supervisory Board Member, as well as reports on the execution of duties from Member of the Board and the Accounting Auditor. Audit & Supervisory Board Members are responsible for establishing a sound corporate governance system by auditing the execution of duties by Members of the Board. Their fundamental principle is to foster the Company's sound and sustainable growth and enhance its corporate value over the medium-to-long-term. They provide their opinions as needed to ensure this.
Composition	Chairperson: Takashi HAYASHI, Full-time Audit & Supervisory Board Member

For details of the Board's deliberations, please refer to the relevant section. **P.110** Analysis and Evaluation of the Effectiveness of the Board

Corporate Governance Structure (As of July 1, 2024)



Governance System Review Committee

Terms of Reference	<ul style="list-style-type: none"> Strengthen and expand the governance functions of both the Company and the Group as a whole. This includes reviewing the operation of the Company's governance system and developing group-wide governance structures.
Composition	Chairperson: Atsuko NISHIMURA, External Member of the Board Observers:
Main Deliberation Items	<ul style="list-style-type: none"> Reviewing and revising the Board's meeting agenda system based on agenda analysis results. Monitoring the implementation status of group governance. Monitoring the progress of addressing issues identified in the evaluation of the Board's effectiveness.

Remuneration Committee

Terms of Reference	<ul style="list-style-type: none"> The committee reviews matters related to the remuneration of Members of the Board and Executive Officers, with the aim of ensuring the independence, objectivity, and transparency of the compensation process.
Composition	Chairperson: Norio OTSUKA, External Member of the Board Observer:
Main Deliberation Items	<ul style="list-style-type: none"> Deliberating on the remuneration for Members of the Board and Executive Officers Reviewing and restructuring the remuneration system

Executive Personnel Committee

Terms of Reference	<ul style="list-style-type: none"> The committee examines matters related to director and officer personnel decisions, with the aim of ensuring the independence, objectivity, and transparency of the appointment process.
Composition	Chairperson: Norio Otsuka, External Member of the Board Observer:
Main Deliberation Items	<ul style="list-style-type: none"> Deliberating on personnel decisions for Members of the Board and Executive Officers Deliberating on the composition of the Board, nomination processes for Members of the Board, appointment and dismissal procedures, and succession plans for executive positions, including the President.

Sustainability Committee

Terms of Reference	<ul style="list-style-type: none"> The committee aims to strengthen and promote sustainability management throughout the Company and the Group by deliberating on and formulating key policies and measures related to sustainability management.
Composition	Chairperson: Fumiya KOKUBU, External Member of the Board Observer:
Main Deliberation Items	<ul style="list-style-type: none"> CO₂ reduction targets for 2026 and 2030. Selection of priority risks for environmental due diligence. Endorsement of the TNFD recommendations (for early registration). Monitoring the implementation status of human rights due diligence.

Members of the Board (As of July 1, 2024)

●: External Member ●: Independent Executive



Shigeyoshi TANAKA
Chairman, Representative Director
On the Board since June 2015

1979 Joined the Company
2011 Executive Officer
2015 Senior Managing Executive Officer, Member of the Board
2019 Executive Vice President, Representative Director
2023 Chairman, Representative Director [current position]



Yoshiro AIKAWA
President and Chief Executive Officer, Representative Director
On the Board since June 2019

1980 Joined the Company
2013 Executive Officer
2016 Managing Executive Officer
2019 Managing Executive Officer, Member of the Board
2020 President and Chief Executive Officer, Representative Director [current position]



Masahiko OKADA
Representative Director
On the Board since June 2023

1982 Joined the Company
2017 Executive Officer
2023 Senior Managing Executive Officer
2023 Senior Managing Executive Officer, Representative Director
2024 Executive Vice President, Representative Director [current position]



Kenji SHIRAKAWA
Member of the Board
Serving since June 2024

1984 Joined the Company
2019 Executive Officer
2021 Managing Executive Officer
2024 Senior Managing Executive Officer
2024 Senior Managing Executive Officer, Member of the Board [current position]



Junichi KASAHARA
Member of the Board
Serving since June 2024

1985 Joined the Company
2020 Executive Officer
2023 Managing Executive Officer
2024 Senior Managing Executive Officer
2024 Senior Managing Executive Officer, Member of the Board [current position]



Mayuki YAMAURA
Member of the Board
Serving since June 2023

1985 Joined the Company
2020 Chief of Chiba Branch
2021 Executive Officer
2023 Managing Executive Officer
2023 Managing Executive Officer, Member of the Board [current position]



Yuichiro YOSHINO
Member of the Board
Serving since June 2023

1986 Joined the Company
2020 Chief of Chugoku Branch
2021 Executive Officer
2023 Managing Executive Officer
2023 Managing Executive Officer, Member of the Board [current position]



Atsuko NISHIMURA
Member of the Board
Serving since June 2017

1979 Joined the Ministry of Foreign Affairs of Japan
2014 Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg
2016 Ambassador Extraordinary and Plenipotentiary for Women, Human Rights and Humanitarian Affairs
2017 Outside Director of INPEX CORPORATION [current position]
2017 Member of the Board of the Company [current position]



Norio OTSUKA
Member of the Board
Serving since June 2019

1973 Joined NSK Ltd.
2009 President and Chief Executive Officer, Representative Director
2019 Member of the Board of the Company [current position]
2022 Honorary Advisor of NSK Ltd. [current position]
2023 Outside Director of WORLD TRADE CENTER BUILDING, INC. [current position]



Fumiya KOKUBU
Member of the Board
Serving since June 2019

1975 Joined Marubeni Corporation
2013 President and Chief Executive Officer, Representative Director
2019 Chairman, Member of the Board [current position]
2019 Member of the Board of the Company [current position]
2020 Outside Director of Honda Motor Co., Ltd. [current position]



Tsutomu KAMIJO
Member of the Board
Serving since June 2023

1976 Joined Sapporo Breweries Limited (present: Sapporo Holdings Limited)
2011 President and Chief Executive Officer of Sapporo Holdings Limited; Group CEO; and President and Chief Executive Officer of Sapporo Breweries Beverage Ltd. (present: POKKA SAPPORO FOOD & BEVERAGE LTD.)
2021 External Member of the Board of Okamura Corporation [current position]
2023 Member of the Board of the Company [current position]
2024 Honorary Advisor of Sapporo Holdings Limited [current position]



Hiroko KOIDE
Member of the Board
Serving since June 2024

1986 Joined J. Walter Thompson Japan K.K. (present: VML Japan)
1993 Joined Nippon Lever K.K. (present: Unilever Japan K.K.)
2001 Director
2013 Senior Vice President of Newell Rubbermaid Incorporated (U.S.) (present: Newell Brands Incorporated)
2021 Outside Director of J. Front Retailing Co., Ltd. [current position]
2024 Member of the Board of the Company [current position]

Audit & Supervisory Board Members (As of July 1, 2024)

●: External Member ●: Independent Executive



Takashi HAYASHI
Chairperson of the Audit & Supervisory Board
Audit & Supervisory Board Member (Full-Time)
Serving since June 2019

1974 Joined the Company
2006 Executive Officer
2008 President and Representative Director of TAISEI HOUSING CORPORATION
2012 President and Representative Director of Taisei-Yuraku Real Estate Co., Ltd.
2019 Audit & Supervisory Board Member of the Company [current position]



Shuichi OKUDA
Audit & Supervisory Board Member (Full-Time)
Serving since June 2023

1985 Joined the Company
2015 General Manager of Accounting Department, Business Administration Division
2020 Chief of Environment Division
2022 Chief of Sustainability Management Promotion Division [current position]
2023 Audit & Supervisory Board Member of the Company [current position]



Yasuhiro SATO
Audit & Supervisory Board Member
Serving since June 2020

1976 Joined the Industrial Bank of Japan, Limited
2014 Member of the Board of Directors, President & Group CEO of Mizuho Financial Group, Inc.
2018 Chairman, Member of the Board of Directors of Mizuho Financial Group, Inc.
2020 Audit & Supervisory Board Member of the Company [current position]
2022 Senior Advisor of Mizuho Financial Group, Inc. [current position]



Keiko OHARA
Audit & Supervisory Board Member
Serving since June 2020

1988 Registered as a lawyer (Dai-Ichi Tokyo Bar Association)
Joined Komatsu Sogo Law Firm (present: Komatsu & Koma Law Firm)
1993 Registered as a lawyer (State of New York)
2000 Founding Partner, Kamiyacho International Law Office [current position]
2018 Director, Member of the board (Independent) of Financial Products Group Co., Ltd. [current position]
2019 Outside Director of FUJI KYUKO CO., LTD. [current position]
2020 Audit & Supervisory Board Member of the Company [current position]



Masamitsu MIURA
Audit & Supervisory Board Member
Serving since June 2021

1982 Joined National Police Agency
2018 Deputy Director General of National Police Agency
2018 Superintendent General of Tokyo Metropolitan Police Department
2021 Audit & Supervisory Board Member of the Company [current position]
2024 President of Japan Road Traffic Information Center [current position]



Kazuhiro MIYAUCHI
Audit & Supervisory Board Member
Serving since June 2024

1985 Joined Board of Audit of Japan
1996 Seconded to the Ministry of Foreign Affairs
First Secretary at the Embassy of Japan in Luxembourg
2017 Chief Executive Officer, Chief Cabinet Secretary of Board of Audit of Japan
2022 Secretary General of Board of Audit of Japan
2024 Audit & Supervisory Board Member of the Company [current position]

Message from the New Executives

Heightening the Creativity of the Company Through Diversity and Enhancing Sustainable Growth

External Member of the Board **Hiroko KOIDE**

I engaged in the management of a variety of global companies and have pursued a career mainly in the areas of business strategy and marketing. In addition, for the past 10 years or so, I have served as an independent outside director of several companies listed on the Prime Market of the stock exchange in Japan. The role of outside directors is to supervise the management from an independent and objective standpoint and provide the broad directions of the medium- to long-term corporate strategy and review the business portfolio in order to achieve sustainable growth and enhance the corporate value of the company. In today's era of rapid change and high uncertainty, growth cannot be achieved if we are constrained by just the common sense of the company. It is only when people from various backgrounds from diverse perspectives raise issues and debate their opinions that better ideas emerge and lead to enhancing the corporate value and growth of the company. I would like to use my experience and external perspectives to revitalize the discussions of the Board meetings and support these initiatives in an appropriate way in order to achieve the corporate culture reform our Group is currently working on and to achieve "what we should aim for."

Contributing to the Company's Sustainable Growth and the Enhancement of Corporate Value Through Appropriate Audits

External Audit & Supervisory Board Member **Kazuhiro MIYAUCHI**

In my previous job, I conducted strict audits of national and governmental organizations to assess whether they are properly functioning and to improve their operations while aiming to provide accurate information regarding the finance of the country and the future forecasts to the citizens. Although there are differences between the public and private sectors, my responsibility is to ensure that corporate governance improves through the appropriate auditing of the performance of the Members of the Board and to gain the trust of society.

With the rapidly shifting socioeconomic situation, the role of Audit & Supervisory Board Members has become increasingly crucial. Collaborating with the other Audit & Supervisory Board Members and Members of the Board, I am committed to fulfilling not only the legal responsibilities of my job but also providing honest and unbiased opinions on whether the Company's decision-making genuinely contributes to the sustainable growth and the enhancement of corporate value, in order to contribute to the realization of "what we should aim for" as our Group.

Skill Matrix

To achieve the Group’s vision for FY2030, the Company has identified the “expertise and experience” expected of Members of the Board and Audit & Supervisory Board Members and they have been appointed accordingly.

Expertise and Experience Expected of Members of the Board and Audit & Supervisory Board Members to Achieve the Group’s Vision for FY2030

		Business Management	Technologies	Sales/ Marketing	Sustainability	Legal Affairs and Risk Management	Finance and Accounting	Global Experience
Members of the Board	Shigeyoshi TANAKA	●	●	●				●
	Yoshiro AIKAWA	●	●	●	●			
	Masahiko OKADA	●		●		●	●	
	Kenji SHIRAKAWA		●	●				
	Junichi KASAHARA				●	●		
	Mayuki YAMAURA		●	●				
	Yuichiro YOSHINO		●	●				
External Members	Atsuko NISHIMURA				●	●		●
	Norio OTSUKA	●					●	●
	Fumiya KOKUBU	●			●			●
	Tsutomu KAMIJO	●				●		●
	Hiroko KOIDE	●				●		●
Audit & Supervisory Board Members	Takashi HAYASHI	●					●	
	Shuichi OKUDA				●		●	
	Yasuhiro SATO	●					●	
	Keiko OHARA				●	●		●
	Masamitsu MIURA					●		●
	Kazuhiro MIYAUCHI						●	●

Notes: 1. The above table highlights the skills particularly expected of Members of the Board and Audit & Supervisory Board Members. It does not represent the full range of skills possessed by each Member of the Board or Audit & Supervisory Board Member.
 2. Sustainability is considered a skill expected of all Members of the Board and Audit & Supervisory Board Members. However, only those for whom this skill is particularly expected are explicitly indicated.

Concepts Behind the Above “Specialization and Experience”

Business Management	Persons who have experience either as chief executive officers of companies, etc. or as the Representative Director of the Group, or who possess equivalent knowledge and experience.
Technologies	Persons who possess knowledge and experience concerning technology, safety and quality related to the Company’s business.
Sales/Marketing	Persons who are considered to have knowledge of and experience in marketing and sales for the Company’s business.
Sustainability	Persons who are considered to have specialized knowledge of and experience in energy, the environment, human resource development, human rights, diversity, social contribution, corporate governance, etc.
Legal Affairs and Risk Management	Persons who have knowledge of legal, risk management and compliance or who are licensed to practice law.
Finance and Accounting	Persons who have knowledge of finance and accounting, or experiences in the management of financial institutions, or certified public accountants or tax accountants.
Global Experience	Persons with experience in overseas business, global management knowledge, or broad insight into international affairs.

Executive Officers

For further details regarding Executive Officers, please refer to our website.



Appointment, Dismissal, and Development Plan of Senior Management

The Company nominates candidates for Members of the Board and appoints Executive Officers with the goal of identifying individuals who will contribute to the sustainable growth and long-term enhancement of corporate value. This process involves considering a range of qualities, including personal background, achievements, character, knowledge, experience, and abilities, as well as diversity factors such as gender, international experience, career history, and age. The Board identifies the skills required for the Board to fulfill its medium- to long-term vision and Medium-Term Business Plan, and nominates Member of the Board candidates accordingly. If a Member of the Board fails to demonstrate the expected qualities after appointment, their dismissal may be considered. The nomination of Member of the Board candidates, as well as the appointment and dismissal of Executive Officers, is determined by the Board following deliberation by the Executive Personnel Committee.

Regarding senior management development, we have a systematic process for selecting and developing successor candidates to ensure timely and appropriate leadership transitions. Candidates are equipped with broad knowledge of external environments, corporate governance, and management strategy literacy, which enables us to identify individuals who possess the qualities necessary for top management roles.

The Next-Generation Executive Development Program primarily targets Executive Officers, Executive Manager, and General Managers, providing opportunities to enhance management capabilities from a company-wide and Group-wide perspective. These opportunities include appointments as Directors of Group companies, participation as observers in key meetings such as the Management Committee, and interactions with External Members of the Board.

Additionally, to identify and develop high-potential individuals from the generation following those selected for the Next-Generation Executive Development Program, the Subsequent-Generation Executive Development Program—primarily targeting General Managers and Deputy General Managers—offers early opportunities to acquire the skills, knowledge, and perspectives necessary for leadership roles through training by external organizations. Furthermore, current senior management participates in regular Top Management Seminars to further develop necessary skills. These seminars feature keynote speeches by external experts and discussions on key management issues.

Dialogue with Shareholders and Investors

The Company strives to provide timely and relevant information on its initiatives for sustainable growth and the medium- to long-term enhancement of corporate value through regular financial results briefings and dialogue with shareholders and investors. We also strive to incorporate valuable feedback received into management decisions.

We are committed to providing accurate and timely disclosure of financial performance, management strategies and key issues, risks, governance, human capital, intellectual property, and sustainability initiatives, based on our Information Disclosure Policy and Fundamental Corporate Governance Policy. This disclosure is carried out in compliance with applicable laws, regulations, and stock exchange rules. Additionally, we strive to provide stakeholders with timely and clear updates on our Group’s business activities through our website, Integrated Report, and other channels as needed.

We strive to promote constructive dialogue with shareholders and investors based on our IR Policy. Specifically, we hold semiannual financial results briefings, individual and small meetings for domestic and international institutional investors, as well as overseas IR activities.

We prepare reports summarizing the details of dialogues and interviews with shareholders and investors and submit these to senior management on a monthly basis. We also report to the Board at least twice a year on the details of IR activities, which contributes to improving our management practices.

Deepening mutual understanding through constructive dialogue with shareholders and investors is essential for enhancing corporate value. Going forward, we remain committed to proactive communication in accordance with our IR Policy.

Measures to Ensure Effectiveness of the Governance System of Listed Subsidiaries

As a measure contributing to the enhancement of group corporate value to realize [TAISEI VISION 2030], last fiscal year, the Company made PS Mitsubishi Co., Ltd. a consolidated subsidiary. PS Mitsubishi Co., Ltd. is mainly engaged in civil engineering, building construction, and manufacturing businesses. Its name was changed to PS Construction Co., Ltd. on July 1, 2024.

Considering that PS Construction Co., Ltd.’s current business foundation has been built through its independent management and has delivered solid

business results, we believe it is essential to respect the company’s corporate culture and management autonomy to enhance its corporate value. Therefore, both the Company and PS Construction Co., Ltd. have agreed to maintain its listing.

Based on the basic policy of group management, we will establish an appropriate governance system that takes into account the common interests of all shareholders, including minority shareholders. We will also strive to maximize group profits through the integrated management of the entire Group.

Appointment Status of External Officers

	Name	Reasons for Appointment
External Members of the Board	Atsuko NISHIMURA	With her extensive international experience and deep understanding of global affairs gained from holding key positions at the Ministry of Foreign Affairs, Ms. NISHIMURA is expected to provide objective and neutral oversight, proposals, and advice on crucial matters. These include strengthening governance and compliance, promoting diversity, overseeing senior management appointments, and shaping the Company's management strategy, particularly in international business.
	Norio OTSUKA	Leveraging his wealth of experience as a corporate manager and his broad insights into international affairs and finance, Mr. OTSUKA is expected to contribute by providing objective and neutral oversight and guidance on key matters. This includes strengthening governance and compliance, overseeing senior management appointments, and shaping the company's management strategy, with a particular focus on international business.
	Fumiya KOKUBU	Mr. KOKUBU's vast managerial experience and broad understanding of international business and investments are expected to be invaluable assets to the company. He is anticipated to offer objective and neutral recommendations and advice on crucial matters, such as enhancing governance and compliance, overseeing senior management appointments, and shaping the company's management strategy, particularly concerning international business.
	Tsutomu KAMIJO	With his extensive experience in managing the production and sale of alcoholic beverages and food products both domestically and internationally, Mr. KAMIJO possesses a deep understanding of these industries. His contributions are expected to include strengthening governance and compliance, overseeing senior management appointments, and providing valuable oversight, proposals, and advice on management strategies, particularly in the realm of international business.
	Hiroko KOIDE*	Ms. KOIDE's experience in managing diverse global companies has equipped her with extensive knowledge and insights into management strategy and marketing. She is expected to provide valuable recommendations and advice on key areas, including strengthening governance and compliance, promoting diversity, overseeing senior management appointments, and developing the company's management strategy, with a focus on international business. Her objective and neutral perspective will be crucial in guiding these efforts.
External Audit & Supervisory Board Members	Yasuhiro SATO	Mr. SATO's extensive experience in corporate management, finance, and accounting, acquired through years of leading financial institutions, provides him with profound knowledge and insights. His broad, high-level perspective is expected to significantly enhance the audits conducted by the Company's Audit & Supervisory Board Members.
	Keiko OHARA	Ms. OHARA's extensive experience in handling legal matters, both domestically and internationally, has equipped her with deep knowledge and exceptional insight into legal issues. Her expertise is anticipated to be instrumental in enhancing the effectiveness of the Company's Audit & Supervisory Board Members.
	Masamitsu MIURA	Mr. MIURA's extensive experience in police-related work has provided him with a wealth of knowledge and insights into risk management and crisis management. His expertise is expected to contribute significantly to the effectiveness of the audits conducted by the Company's Audit & Supervisory Board Members.
	Kazuhiro MIYAUCHI*	Mr. MIYAUCHI's extensive experience in finance and accounting, gained through his service at the Board of Audit, has equipped him with deep knowledge and insights. His expertise is expected to be instrumental in enhancing the audits conducted by the Company's Audit & Supervisory Board Members.

*Appointed in June 2024.

Attendance at Meetings of the Board, Audit & Supervisory Board, and Committees Within the Board

(FY2023)

Category	Name	Holding record and attendance situation					
		Board	Audit & Supervisory Board	Governance System Review Committee	Executive Personnel Committee	Remuneration Committee	Sustainability Committee
		14 meetings in total	14 meetings in total	4 meetings in total	6 meetings in total	5 meetings in total	1 meeting in total
Chairman, Representative Director	Shigeyoshi TANAKA ¹	14/14 (100%)	—	0/1 (0%)	6/6 (100%)	5/5 (100%)	—
President & CEO, Representative Director	Yoshiro AIKAWA	14/14 (100%)	—	3/4 (75%)	6/6 (100%)	5/5 (100%)	1/1 (100%)
Representative Directors	Hiroshi TSUCHIYA ²	11/11 (100%)	—	—	—	—	1/1 (100%)
	Masahiko OKADA ²	11/11 (100%)	—	3/3 (100%)	5/5 (100%)	4/4 (100%)	—
Members of the Board	Hiroshi KIMURA	14/14 (100%)	—	—	—	—	1/1 (100%)
	Mayuki YAMAURA ²	11/11 (100%)	—	3/3 (100%)	—	—	—
	Yuichiro YOSHINO ²	11/11 (100%)	—	—	—	—	1/1 (100%)
	Toshiyuki TSUJI ²	11/11 (100%)	—	3/3 (100%)	—	—	—
	Atsuko NISHIMURA	14/14 (100%)	—	4/4 (100%)	6/6 (100%)	5/5 (100%)	—
	Norio OTSUKA	14/14 (100%)	—	4/4 (100%)	6/6 (100%)	5/5 (100%)	—
	Fumiya KOKUBU ¹	14/14 (100%)	—	1/1 (100%)	4/6 (67%)	3/5 (60%)	1/1 (100%)
Full-Time Audit & Supervisory Board Members	Takashi HAYASHI	—	14/14 (100%)	4/4 (100%)	—	—	—
	Shuichi OKUDA ²	—	10/10 (100%)	—	—	—	—
Audit & Supervisory Board Members	Yasuhiro SATO	—	13/14 (93%)	—	4/6 (67%)	—	—
	Seishi TASHIRO	—	14/14 (100%)	—	—	5/5 (100%)	—
	Keiko OHARA	—	14/14 (100%)	—	—	—	1/1 (100%)
	Masamitsu MIURA	—	14/14 (100%)	4/4 (100%)	—	—	—

¹ Mr. Shigeyoshi TANAKA and Mr. Fumiya KOKUBU retired as members of the Governance System Review Committee as of the 163rd Ordinary General Meeting of Shareholders held on June 27, 2023, and their attendance as of that date is the subject of this report.
² The attendance records for Mr. Hiroshi TSUCHIYA, Mr. Masahiko OKADA, Mr. Mayuki YAMAURA, Mr. Yuichiro YOSHINO, Mr. Toshiyuki TSUJI, Mr. Tsutomu KAMIJO, and Mr. Shuichi OKUDA after their election at the 163rd Ordinary General Meeting of Shareholders held on June 27, 2023, are the subject of this report.

Analysis and Evaluation of the Effectiveness of the Board

The Board analyzes and evaluates its effectiveness every year and discloses the results.

1. Initiatives in FY2023 Based on FY2022 Evaluation

In March 2020, the Company reviewed its governance structure with the aim of strengthening the supervisory function of the Board, invigorating deliberation, and speeding up decision-making on business execution. This included reviewing the matters to be discussed by the Board and expanding the scope of authority delegated to the executive team.

Based on this review, we have been working to improve the effectiveness of the Board since FY2020. In FY2023, we continued to make the following improvements in response to the issues identified in the FY2022 effectiveness evaluation.

a) Enhance Discussions on the Board's Size, Composition, and Governance Structure

The Executive Personnel Committee and the Remuneration Committee held discussions on themes that should be considered, such as the composition of the Board, as ongoing issues, and examined the current nomination and remuneration system and its design for the purpose of reorganizing it.

b) Further Delegate Authority to Executives within Appropriate Limits

Based on the results of the analysis of the agenda items for the Board meetings, the Company reviewed the agenda system for the Board meetings, reduced the number of agenda items, prepared concise materials, provided explanations, and worked to ensure sufficient time for deliberation.

c) Further Enhance Deliberations, Considering the Board's Roles and Responsibilities from a Medium- to Long-Term Perspective

We conducted intensive deliberations to establish the [TAISEI VISION 2030] Achievement Plan and Medium-Term Business Plan (2024-2026), and also held repeated discussions on corporate culture reform.

2. Overview of FY2023 Evaluation

The following is an overview of the evaluation process and results for FY2023.

(1) Evaluation Method and Process

- The secretariat prepared and the Board approved an individual evaluation questionnaire (Board Evaluation Sheet). Each Member of the Board and Audit & Supervisory Board Member then conducted their individual evaluations.

- The evaluation items in the questionnaire were as follows. Items 1 to 5 were evaluated on a five-point scale with space for free comments, and item 6 was evaluated using free comments only.

Evaluation Items

"1. Self-evaluation as a member of the Board," "2. Composition and operation of the Board," "3. Effectiveness of the Board," "4. Support system," "5. Deliberation and monitoring regarding the medium- to long-term vision and the Medium-Term Business Plan," "6. Overall evaluation of the Board."

- The secretariat consolidated the results of the individual evaluations, and External Members of the Board conducted an overall evaluation.
- At the same time, a lawyer conducted a third-party evaluation of the individual evaluation results.
- Based on the overall evaluation and third-party evaluation, deliberations were conducted by the Board.

(2) Summary of Evaluation Results

- While the Company's governance system has steadily developed, and the Board's effectiveness has improved overall, there is still room for improvement from the perspective of the Board's roles and responsibilities. To further enhance the Board's effectiveness, we will continue to focus on the following areas:

- To enhance discussions on the Board's size, composition, and governance structure.
- To monitor the execution status of important business matters.
- To further enhance deliberations, considering the Board's roles and responsibilities from a medium- to long-term perspective.

Remuneration

1. Matters Concerning Policies on Determination of the Remuneration, Etc. for Each Member of the Board

Based on the deliberation by the Remuneration Committee, the Board decided on a policy on determination of the content of compensation, etc. for each Member of the Board at the Board meeting held on June 7, 2024. The details are as follows:

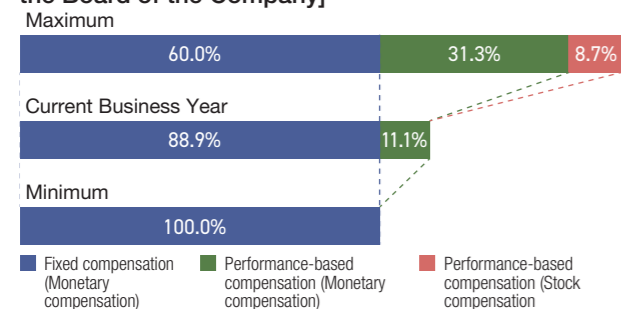
① Basic policy on the determination of the details of remuneration, etc. for each Member of the Board

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 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.

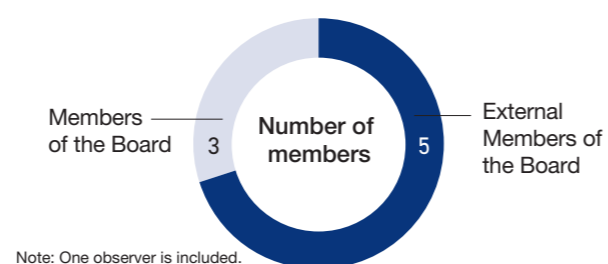
When determining the details of remuneration, etc. for each Member of the Board, the Board will decide the details of remuneration for each Member of the Board, taking account of the responsibilities and positions of each Member of the Board (including the concurrent positions as an Executive Officer, if applicable; the same applies hereafter), based on examination at the Remuneration Committee, which is authorized to deliberate the details of remuneration, etc. before the Board's decision.

The Remuneration Committee consists of more than half number of External Members of the Board and is chaired by an External Member of the Board. External Audit & Supervisory Members are also included as observers to ensure the appropriateness of deliberations.

[Schematic Diagram of Remuneration of Members of the Board of the Company]



[Composition of the Remuneration Committee]



Notes: 1. The above ratio is the remuneration for President and Chief Executive Officer, Representative Director calculated as an example. As announced on April 17, 2023, the monthly remuneration for three months from April to June of the same year has been returned 50%.
2. Remuneration for External Members of the Board is the fixed compensation only, and the performance-based compensations are not applicable to the remuneration.

② Policy on determination of the amount and the calculation methods of 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.

③ Policy on determination of the contents, and the calculation methods of the amount or the number of performance indicators for performance-based compensation; and policy on determination of the contents and the amount, or the number and the calculation methods for non-monetary compensation

The performance-based compensation is established for the purpose of raising the awareness of each Member of the Board to contribute to business performance improvement and enhancement of corporate value. However, External Members of the Board are not eligible for the performance-based compensation.

1) Performance-based compensation (monetary compensation)

The performance-based compensation (monetary compensation) shall be paid to Members of the Board on a fixed day of each month during the term of office, and for the purpose of clarifying the interrelation between the Members of the Board's responsibility for the group management and the amount of remuneration for them, the contents and the amount of the compensation shall be determined in consideration of Taisei Group's overall business performance, which is designated to be linked to Taisei Group's short-term business performance, as well as the individual performance of each Member, which is designated to be linked to the achievement of the Member's individually predetermined goal.

Operating income in the consolidated statements of income for the most recent fiscal year is used as a performance indicator for Taisei Group's overall business performance because it is an indicator that shows the direct results of the Group's business activities, and provides the system so that the amount paid to each Member of the Board will be progressively increased according to his or her positional ranks.

2) 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 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. 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 as one (1) share per point 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 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.

④ Policy on determination of the ratio of each type of compensation to be applied to the amount of remuneration, etc. for each Member of Board

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.

2. Matters Related to the Policy on Determination of the Amount and the Calculation Methods of Remuneration, Etc. for Audit & Supervisory Board Members

The remuneration, etc. for Audit & Supervisory Board Members consists only of fixed remuneration, and the amount for each Audit & Supervisory Board Member is determined by the Audit & Supervisory Board through consultation.

3. Matters Concerning the Resolution of the General Meeting of Shareholders on the Remuneration, Etc. for Members of the Board and Audit & Supervisory Board Members

Category	Type of remuneration, etc.	Compensation limit	Date of resolution at the General Meeting of Shareholders	Number of the Members applicable for payment at the time of resolution
Members of the Board	Fixed compensation	Up to ¥70 million per month	June 27, 2006 (The 146th General Meeting of Shareholders)	14 (including two External Members of the Board)
	Performance-based compensation (Monetary compensation)			12
	Performance-based compensation (Stock compensation)	Up to ¥100 million, 35,000 points per fiscal year (1 point = 1 share of stock)	June 24, 2020 (The 160th General Meeting of Shareholders)	8
Audit & Supervisory Board Members	Fixed compensation	Up to ¥12 million per month	June 29, 1994 (The 134th General Meeting of Shareholders)	5 (including two External Audit & Supervisory Board Members)

4. The Total Amount of Remuneration for Members of the Board and Audit & Supervisory Board Members, Etc.

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration in kind (Millions of yen)			Number of eligible recipients (Persons)
		Monetary compensation		Non-monetary compensation	
		Fixed compensation	Performance-based compensation	Stock compensation	
Members of the Board (External Members)	518 (58)	472 (58)	46 (-)	- (-)	16 (4)
Audit & Supervisory Board Members (External Members)	124 (57)	124 (57)	- (-)	- (-)	7 (4)

Notes:
1. Among the types of monetary compensation, the performance indicator of the performance-based compensation should be an indicator that shows the final results of our Group's business activities. Thus, the Company adopts the net income attributable to owners of parent in the consolidated statements of income for the most recent consolidated fiscal year. The total sum of the net income attributable to owners of parent in the consolidated statements of income for the most recent consolidated fiscal year is ¥40,272 million.
2. Stock compensation (non-monetary compensation) adopts the method of the Board Benefit Trust (=BBT), 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. The stock compensation is also categorized as performance-based compensation. Therefore, net income attributable to owners of parent in the consolidated statements of income for the most recent consolidated fiscal year is adopted as the performance indicator of the stock compensation because it is an indicator that shows the final results of Taisei Group's business activities. The net income attributable to owners of parent in the consolidated statements of income for the current consolidated fiscal year is ¥40,272 million.
3. We judge that the contents of remuneration paid to Members of the Board during this fiscal year are within the maximum amount approved at the General Meeting of Shareholders subject to the basic policy determined by the Board on the determination of the details of remuneration, etc. for each Member of the Board, and also judge that the contents of remuneration determined by the Board are also in accordance with the determination policy, because the contents of remuneration were determined at the Board based on deliberations at the Remuneration Committee, which is authorized to deliberate the details of remuneration, etc. before the Board's decision.

Compliance

Fundamental Approach

The Taisei Group has established the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole as the basic principles of organizational behavior and standards of behavior and judgment that should be actively practiced or strictly observed by executives and employees. These Action Guidelines are the Group's code of compliance. In the Fundamental Policy to Enhance Operational Compliance Systems, they state 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." This is applied to all Group companies, including those in Japan and overseas.

(As of July 2024)

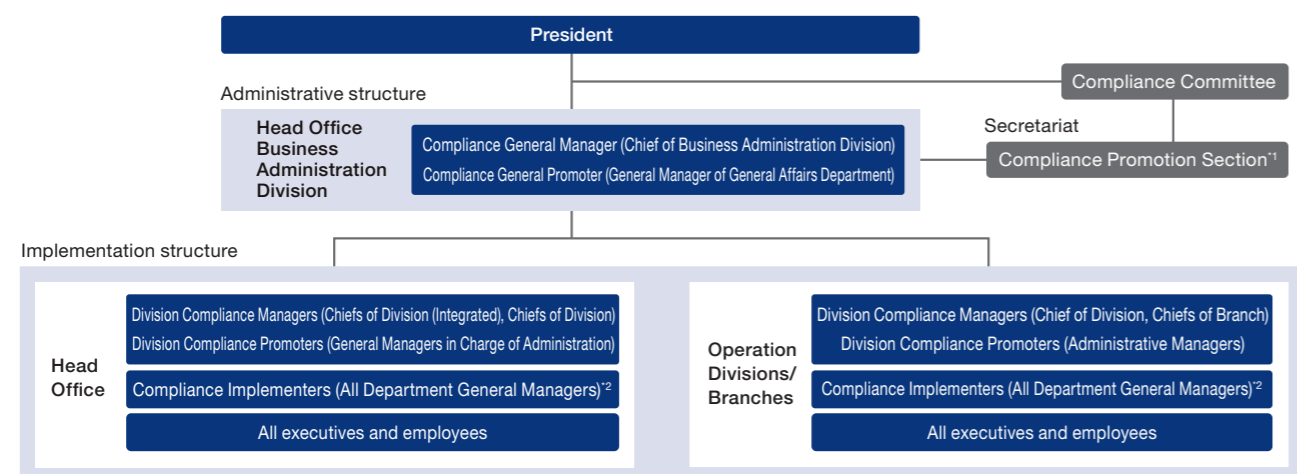
Action Guidelines for Taisei Personnel and the Taisei Group as a Whole	
Chapter 1 Active and Transparent Culture <ol style="list-style-type: none"> Cultivating an open corporate culture Securing a pleasant working environment Respect for fundamental human rights and diversity 	Chapter 2 Value Creation <ol style="list-style-type: none"> Creating a vibrant environment for all members of society Striving to create value Pursuing customer satisfaction Ensuring and improving safety and quality
Chapter 3 Evolution of Tradition <ol style="list-style-type: none"> Respect for traditions Promoting partnerships with subcontractors and suppliers Promoting environmental conservation and creation Communication with local communities Conduct in the international community 	<ol style="list-style-type: none"> Appropriate disclosure of information Fulfilling social responsibilities <ol style="list-style-type: none"> Mutual prosperity with society Compliance with laws and ordinances Ensuring fair trade Maintenance of proper relationships with individuals or entities engaged in politics and government Prohibition of acts that constitute a conflict of interest Dealing with people, associations or organizations engaged in anti-social behavior Compliance with import- and export-related laws and ordinances Management of information and intellectual property rights

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

Compliance Promotion System

As shown in the diagram below, 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 executives and employees and further ensure compliance by establishing a system to set stricter disciplinary actions, etc., against any legal and other violations committed by executives and employees and to call for compliance with the Antimonopoly Act, implementing a range of measures based on the recommendations by the Compliance Committee and compliance training in each division, and taking other steps.

Chart of Compliance Promotion System



*1 Promotes and embeds compliance awareness among executives and employees. Also functions as a secretariat for the Compliance Committee.
 *2 All general managers of departments are appointed compliance implementers. The general managers of each department educate and inform all executives and employees in their own departments about compliance.

Compliance Education and Training

At the Company, we conduct annual compliance training for all executives and employees to enhance their awareness of compliance. Furthermore, to strengthen compliance throughout the Group, we hold meetings for legal affairs officers to share information and exchange views on legal issues with domestic Group companies. We also conduct Group compliance hearings to confirm the status of compliance promotion and exchange opinions. Through these initiatives, we strive to ensure thorough compliance and foster communication.

Implementation of Compliance Questionnaires (Annual)

We conduct an annual compliance questionnaire for all executives and employees with the aim of raising compliance awareness within the Group, identifying the current situation and challenges, and detecting early signs of potential risks within the organization. The results of the questionnaire are analyzed, and countermeasures are considered and reported to management. The findings are then shared with all executives and employees through the Compliance Newsletter. In collaboration with relevant departments, we implement necessary measures based on these findings to promote compliance.

Education / Training	Themes Covered in Recent Years	
Issuing of Compliance Newsletter (Once a month)	<ul style="list-style-type: none"> The Company's compliance promotion system Client harassment Prohibition of entertainment and gift-giving to public officials 	<ul style="list-style-type: none"> Prohibition of insider trading Procedures for reporting industrial accidents, etc.
Compliance training via e-learning (Twice a year)	<ul style="list-style-type: none"> Corporate Ethics Helpline (Internal whistleblowing System) "Bad News First" principle 	<ul style="list-style-type: none"> Drunk driving Entertainment and gift-giving (bribery), etc.

Whistleblowing and Consultation System

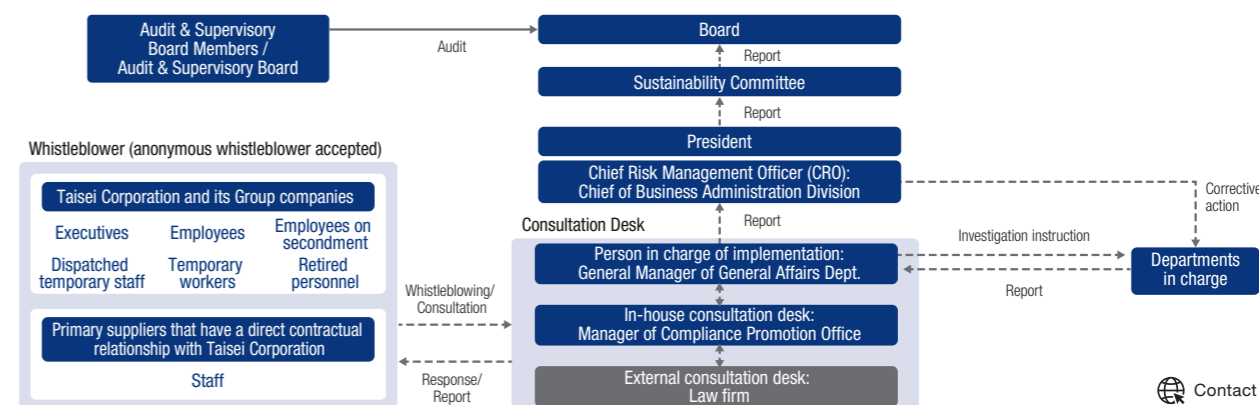
Based on the Whistleblower Protection Act, at the Taisei Group, we have established an internal whistleblowing system (the Corporate Ethics Helpline / Group Helpline / Whistleblowing System) in which executives and employees as well as external parties (staff of partner companies [primary suppliers] 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 executives 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 of the report received and take corrective action as required. In doing so, we ensure that the whistleblower's information is kept confidential and strictly follows internal regulations to ensure that the whistleblowers are not treated disadvantageously for reporting.

For external stakeholders who do not have a direct contractual relationship with the Company, our website provides inquiries on human rights, environmental issues and other issues.

Internal whistleblowing system / Operational results	FY2021	30 cases
	FY2022	73 cases
	FY2023	82 cases

Flow of Internal Whistleblowing Based on the Helpline System



Contact Us

Review of Adherence to the Group's Action Guidelines and Response to Violations

At Taisei Group, the "Rules on Enforcement of the Compliance System for the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole ("Action Guidelines")" explicitly specify that if an executive or employee breaches the Group's Action Guidelines, the facts will be thoroughly and rigorously reviewed by the Board or the Management Committee, and appropriate disciplinary actions will be imposed in accordance with internal regulations.

In instances of significant compliance breaches, such as violations of the Group Action Guidelines, the Group implements comprehensive measures to prevent any reoccurrence. The Group conducts investigations to understand the context, the involved parties, the nature and details of the violation, the damage incurred, and the impact on stakeholders. Based on an accurate grasp of the facts, reports are filed with the pertinent governmental bodies when necessary. The violators are subjected to necessary disciplinary actions, which may include termination of employment.

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

Anti-Corruption Policy

Taisei Corporation supports Principle 10, Anti-Corruption, of the United Nations Global Compact, which we joined in 2018. The "Action Guidelines for Taisei Personnel and the Taisei Group as a Whole," is designed to prevent all forms of corruption, including extortion, bribery, money laundering, and obstruction of justice. The policy emphasizes "ensuring fair transactions," "maintaining sound relationships with politics and the administration," and "dealing with antisocial forces and organizations." This code explicitly states that the Group shall not provide illegal money or goods to the clients or any of its individual executives or employees. We shall also refrain from engaging in actions that violate criminal laws, such as bribery, or cause misunderstandings in our relationships with politicians and public officials, including those from foreign countries. Moreover, we shall not acquiesce to unreasonable demands from antisocial groups. Furthermore, we have established the Code of Conduct for Compliance with the Antimonopoly Act. We require our executives and employees to act responsibly, ensuring they do not violate criminal laws related to practices like bid rigging or breach the provisions of the Antimonopoly Act. We are committed to preventing any form of corruption.



To raise awareness and provide education about antibribery measures for politicians and public officials (including those from foreign countries), we have prepared a booklet titled "Quick Guide to Compliance." This booklet covers topics like bribery and corruption in depth, aiming to prevent actions like collusion that undermine fair competition. Through e-learning and other methods, we aim to reinforce our executives' and employees' knowledge and consciousness about anti-corruption measures.

In relationships requiring special attention with foreign public officials and the like, we have introduced a pre-check system from the FY2020 to prevent bribery involving foreign public officials, and are working diligently to thoroughly prevent corrupt practices.



Fair and Equitable Transactions

Taisei Corporation has outlined in its Group's Action Guidelines the "Promoting partnerships with subcontractors and suppliers," emphasizing the need to establish transparent and trusting relationships with our partners and to conduct business on an equal footing.

In August 2020, we introduced and publicly disclosed our Declaration of Partnership Building. This declaration promotes mutual growth throughout the entire supply chain and encourages new collaborations beyond distinctions of size or affiliation. It also emphasizes adherence to the "Promotion Standards" set by the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises. To guard against antisocial forces, we have outlined in our Basic Contract for Specialist Construction Work that our partners should neither be antisocial entities nor engage in transactions with such entities. In case of any breach, stipulations permit the termination of the contract without prior notice. Moreover, the Taisei Group Sustainable Procurement Guidelines specifically emphasize fair and equitable transactions, upholding legal and societal norms, and the reverence for human rights. By annually carrying out supplier self-assessments regarding these principles, we are diligent in our efforts to understand and mitigate the risk of involvement in transactions with antisocial elements, corruption, and organizations that partake in inhumane labor practices.

Specific Efforts to Comply with the Antimonopoly Act

The Company has established the Code of Conduct for Compliance with the Antimonopoly Act to eliminate and prevent any acts that could raise suspicions of violations of the Antimonopoly Act. This Code outlines the behavior guidelines for executives and employees, as well as the internal compliance framework. We are committed to implementing the following strict measures and educating our executives and employees.

Specific Initiatives
<ul style="list-style-type: none"> Rules concerning contact with competitors (mandatory reporting when attending meetings and monitoring of email communications) Procedures for ensuring the propriety of bidding operations Establishment of an in-house voluntary reporting (leniency) system Formulation of an Antimonopoly Act Compliance Manual Implementation of e-learning for all executives and employees Training sessions by external experts for the sales and technical divisions involved in order-related operations

Education and Awareness Initiatives for the Supply Chain

Collaboration with our suppliers and subcontractors is essential to ensuring thorough compliance throughout the Group's business activities. To enhance compliance awareness among our partner companies (specialized contractors), the Compliance Promotion Section conducts training sessions for their business owners during safety conferences held at each of our branches. We will continue to implement education and awareness programs for our suppliers and subcontractors.

Risk Management

Fundamental Approach to Risk Management

Under the guidance of our Risk Management Policy and the Basic Risk Management Regulations, the Company has established a company-wide, systematic risk management system that addresses ESG-related risks, including those concerning quality, compliance, information, safety, and the environment.

To ensure the effective functioning of company-wide risk management and maintain the integrity of our operations, we implement preventative risk measures as stipulated in internal policies and manuals to prevent risks from occurring. Should a risk manifest unexpectedly, we promptly take appropriate measures to minimize losses, ensuring business continuity and maintaining public trust.

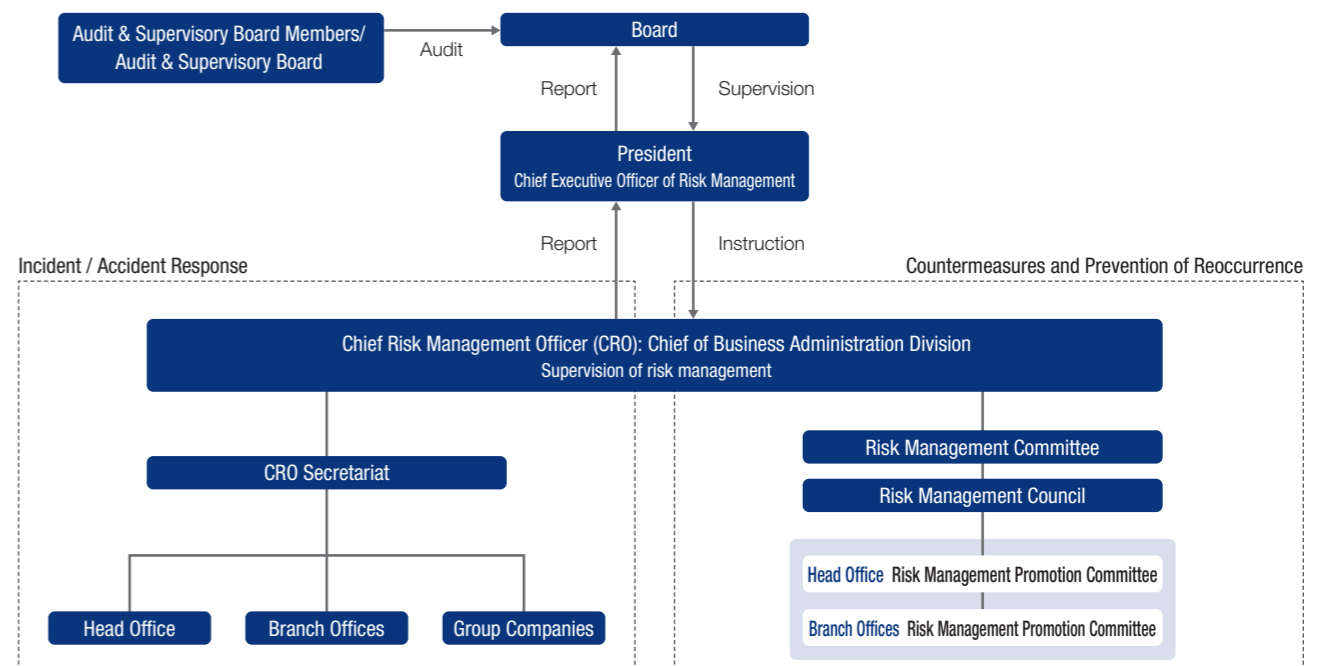
Risk Management Promotion System

Company-Wide Risk Management

Taisei Corporation strives to continuously operate its risk management system to appropriately identify and manage risks associated with business operations. Under this system, the President serves as the ultimate authority on risk management, while the Chief of the Business Administration Division acts as the Chief Risk Management Officer (CRO), overseeing the day-to-day operations of the risk management system. Annually, we review and revise the risk management plan for the upcoming fiscal year based on the risks identified in the current fiscal year, utilizing the PDCA cycle to ensure the effectiveness of the risk management system.

In accordance with the Basic Risk Management Rules, each Head Office division collaborates with its respective branches to identify and assess risks associated with their operations, thereby selecting the "Head Office-governed risks." From these, risks that could significantly impact business operations are identified and designated as "business operation risks," which are then subject to company-wide risk management efforts. The "business operation risks" are deliberated upon by the Risk Management Committee, chaired by the CRO, and finalized by the CRO. The President and the Board receive reports and regularly confirm and maintain the operational status and effectiveness of the risk management system.

Advancement of Company-Wide Risk Management



Risk Management Policy

Business and Other Risks

The following is a list of the major risks that may have a significant impact on investors' decisions regarding the Group's business. The materialization of these risks could have an impact on the Group's operating results, financial position, and social credibility. The Group is aware of the possibility that risks may occur and strives to avoid them and respond to them when they do occur.

1. Risks Related to the Business Environment

In order to achieve sustainable growth of the Group and increase its corporate value over the medium-to-long-term, the Group sets the overall direction for corporate strategy and other major initiatives at the Board meetings and creates an environment that supports appropriate risk-taking by senior management. In executing business, the Company makes decisions based on standards established in line with the management policy and medium-term business plan, and continues to conduct qualitative and quantitative ongoing assessments of risks and returns for each project. The main risks related to the business environment are as follows:

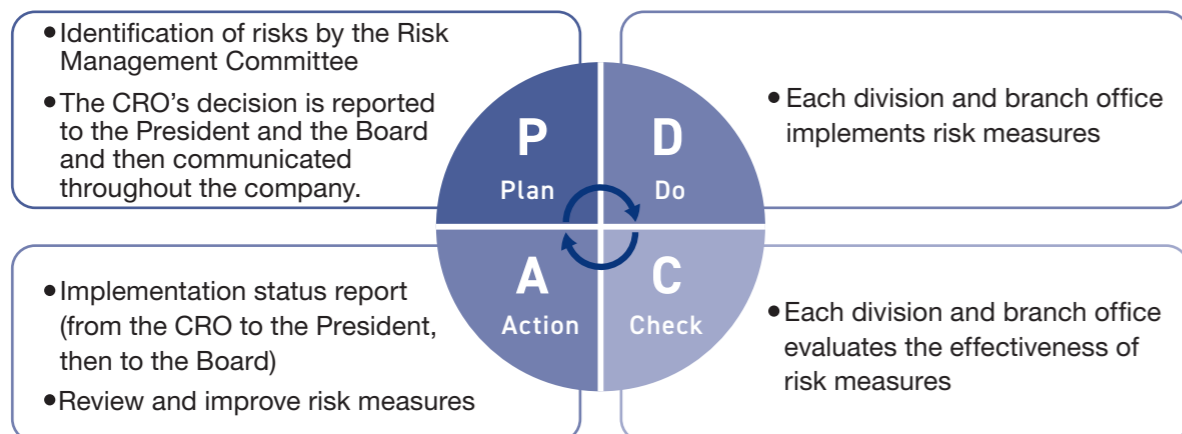
- ① Trend of the construction market
- ② Fluctuations in prices of materials
- ③ Asset holding risk
- ④ Fluctuations in interest rates
- ⑤ Risks of related or incidental businesses

2. Business Operation Risks

We identify and select risks that could have a significant impact on management, and incorporate them into our company-wide risk management framework, in accordance with the Basic Risk Management Rules. The key risks related to business operations are as follows:

- (1) Risks of violation of legal controls over the civil engineering business and the building construction business
 - ① Risk of violation of the Construction Business Act and related laws and regulations
 - ② Risk of violation of the Antimonopoly Act
- (2) Risk of infringement of intellectual property rights
- (3) Risk of inappropriate financial reporting
- (4) Risk related to antisocial forces
- (5) Risk associated with quality due to construction failure
- (6) Risk of design flaw
- (7) Risk of process delays
- (8) Risk of accidents
- (9) Risk of information leakage and system trouble
- (10) Risk of large-scale disasters
- (11) Risk associated with the working environment
- (12) Risk of violation of environmental laws and regulations
- (13) Risk associated with environmental issues including climate change
- (14) Risk associated with human rights issues
- (15) Credit risk
- (16) Contract risk
- (17) Risk of the spread of infectious diseases
- (18) Country risk
- (19) Geopolitical risk

Risk Management



Priority Management Risks in FY2024

- (5) Risk associated with quality due to construction failure
- (7) Risk of process delays
- (8) Risk of accidents
- (11) Risk associated with the working environment
- (14) Risk associated with human rights issues

In light of the events in which risks have surfaced in the last two fiscal years and the social situation, we have identified risks that require particular attention as "priority management risks" and are working to prevent and take measures against them.

Major Measures Concerning Priority Management Risks

▶ Risk Associated with Quality Due to Construction Failure	▶ Risk Associated with the Working Environment
We are working to strengthen the system to ensure that the quality control process functions properly by establishing the Quality Control Division and assigning full-time quality control specialists. We also continue to provide in-house training, including at the Steel Frame Academy, as well as technical education for specialized contractors.	As the legal upper limit on overtime working hours is applied from this fiscal year, it is expected that there will be a shortage of workers at worksites in the future. Accordingly, we are promoting further work efficiency and taking necessary measures, such as having the head office and branch offices provide backup to workplaces, while being mindful of appropriate staffing and workload.
▶ Risk of Process Delays	▶ Risks Related to Human Rights Issues
We ensure effective process management by examining the appropriate construction period before the contract is signed, discussing with the clients, and supporting worksites through the head office and branch offices.	We evaluate the impact of insufficient efforts to address human rights issues across the entire supply chain, including executives, employees, and skilled workers, on the Group. To prevent such issues, we have identified discrimination, harassment, and long working hours as "priority human rights issues," and are providing education and training to address them.
▶ Risk of Accidents	
In the event of an accident, we are striving to create an environment that encourages prompt and appropriate reporting and ensures psychological safety, while maintaining a high level of compliance awareness in our response.	

Business Continuity Plan (BCP)

In the event of a large-scale disaster or accident, in addition to ensuring the safety of officers, employees, and their families, we strive to fulfill our responsibilities as a comprehensive construction company supporting the foundation of socioeconomic activities. To that end, we established a "Policy on Business Continuity in Times of Disaster" in 2005. Based on this policy, the Company formulates a business continuity plan for disasters, and conducts disaster response drills at least once a year, with participation from all executives and employees of the Company and Group companies. The plan is reviewed and improved comprehensively after each drill based on the results.

In recognition of our ongoing and regular efforts to improve business continuity, we have obtained Resilience Certification.

Additionally, since 2015, we have been conducting joint training with the Japan Federation of Construction Industry and other organizations to build a company-wide recovery support system capable of responding immediately to assistance requests.

Response to the 2024 Noto Peninsula Earthquake

We would like to express our deepest sympathies to all those affected by the 2024 Noto Peninsula Earthquake.

Immediately after the earthquake, we confirmed the safety of our employees and their families, and established a company-wide support system, including an on-site response headquarters. We are working with specialized contractors to support recovery efforts in the affected areas. Our initial response included clearing debris from roads and conducting emergency repairs to restore access. We leveraged the latest digital technologies, such as drone surveys and satellite communications, to quickly formulate and implement a recovery plan.

We remain committed to working alongside relevant organizations to facilitate a swift recovery. As a group of companies dedicated to building social infrastructure, we will continue to contribute to society through our business activities.

Roundtable Discussion with the External Audit & Supervisory Board Members

Fulfilling Our Responsibilities as the External Audit & Supervisory Board Members, from the Independent and Impartial Viewpoints

In light of the incidents that became apparent during the last fiscal year, Taisei Group has addressed its corporate culture reform and the [TAISEI VISION 2030] Achievement Plan with determination, towards realizing what we should aim for. The Audit & Supervisory Board Members have been expected to play an increasingly important role in enhancing corporate governance. Four of our External Audit & Supervisory Board Members open-heartedly exchanged their opinions, towards sustainable growth and enhancing the corporate value of the Group.

This roundtable discussion was held in May 2024. Audit & Supervisory Board Member Kazuhiro MIYAUCHI, who joined us in June 2024, was not present at the discussion, and Audit & Supervisory Board Member Seishi TASHIRO retired in June 2024.

▶ P.106 Message from the New Executives



Seishi TASHIRO
External Audit & Supervisory Board Member
He had been involved in the work of the Board of Audit of Japan over the years, and has deep knowledge and excellent insight through his ample experience in auditing and accounting.

Yasuhiro SATO
External Audit & Supervisory Board Member
He has ample experience, a broad range of insight and profound knowledge of finance and accounting, fostered as the executive of a financial institution.

Keiko OHARA
External Audit & Supervisory Board Member
She has professional and advanced knowledge, plenty of international experience and insight into diversity as a lawyer.

Masamitsu MIURA
External Audit & Supervisory Board Member
He has been involved in police-related work over the years and has deep knowledge and excellent insight through his ample experience in risk management and crisis management.

Closely Monitoring the Progress of Corporate Culture Reform Leading to Sustainable Growth

— Could you share with us your evaluation and the points you are closely monitoring as Audit & Supervisory Board Members, regarding the corporate culture reform that was initiated in conjunction with the formulation of the [TAISEI VISION 2030] Achievement Plan and the materiality reviewed this time?

SATO: When discussing corporate culture reform and materiality, I believe it is crucial to grasp the construction industry's position with a bird's eye view and anticipate the changes in society. I would like to highlight three key points on this. First, the significant barriers to sustainable growth in the construction industry, such as a declining population and soaring prices of raw material, are now clearly visible. Second, the social implementation of cutting-edge technologies, including generative AI, AI-powered robotics, and 3D printing, is rapidly advancing. Third, social norms such as the SDGs have become the

foundation for sustainable corporate growth, and company's existence value is now being evaluated from broader perspectives such as carbon neutrality, circular economy, and nature positive. With these factors in mind, we must consider how we can differentiate ourselves in this highly competitive environment.

OHARA: The business environment surrounding the construction industry is rapidly changing, as we are facing risks such as an inability to meet the Client's demand due to workforce shortages and soaring prices of raw material. We cannot survive in such business environment depending on traditional mindsets and past successes, and need to drastically change our way of thinking.

SATO: I believe that it was highly significant that the management of the Company embarked on corporate culture reform and presented a vision for the Company's future. I also believe that this is our critical turning point leading to differentiation of the Company within the construction industry. Without adapting to societal changes and differentiating ourselves, we cannot attract top-tier human capital in

an era where people choose the companies they work for. Furthermore, I appreciate that the revision of our materiality, focusing on values such as the SDGs and a company's existing value, is also a step in the right direction.

TASHIRO: I also believe that corporate culture reform at this timing was necessary for the Group's sustainable growth. Companies need to enhance their productivity in order to achieve sustainable growth. In 1997, if the productivity of the U.S. construction industry was set at 100, Japan's was only 58. Although advancements in IT in worksites and other technological developments have raised Japan's productivity to 79, there is still much room for improvement. Top-tier human capital is vital for such improvement.

In addition, there is "the realization of a sustainable and environmentally friendly society," as one of the materiality which we revised. I anticipate that the Group will further accelerate its research and development of advanced technologies, and continue to lead the industry at Taisei Group Next-Generation Technology Research Institute, which is currently under construction.

OHARA: With regard to the quality and construction schedule issues that occurred last year, not only did we cause significant inconvenience to our clients and shareholders, but also our employees were deeply distressed by those issues. I believe that it was significant that each employee asked themselves, was reminded of, and embraced, what the Company's respected value was, on the corporate culture reform this time. It will take time to see the results of such reform, and as the Audit & Supervisory Board Member, I will monitor if the management is fully supporting the efforts for such reform based on the top management's determination.

Regarding materiality, we have newly identified "Fair corporate activities that support trust." By this materiality, all and every employee of the Company declares to conduct business activities with integrity as a member of society, and this is a critical aspect underpinning our business operations. Additionally, "Society and workplace environment where everyone can work lively" has been linked with "Corporate culture where lives of employees are respected." This is because, instead of each employee making an effort to fit themselves into their work, the concept that the Company can achieve its growth if each employee plays a main role and works actively, and that we respect each employee's life, is linked to our commitment on the work that we respect the lives of all people in society.

MIURA: One of the factors behind our initiation of the recent corporate culture reform was a heightened sense of urgency following a series of incidents. Employees at the worksites were under significant pressure due to insufficient allocation of personnel, and an overly strict system of rewards and punishments fostered an unfavorable corporate culture where mistakes and problems were not reported to the management. Alongside the corporate culture reform, it has been a timely approach well aligned with the social expectations that President & CEO AIKAWA set a new corporate management direction to follow, emphasizing not only to pursue the size of the business but also to maintain appropriate workload and personnel allocation in consideration of prioritizing profitability.



TASHIRO: While we have consumed considerable time to discussing the series of inappropriate incidents within the Company, one of the fundamental causes we identified was a shortage of personnel. To resolve such shortage, we must focus on the pursuit of ease of work and job satisfaction of employees, in order to be a company that top-tier human capital wants to join. Young human capital, when they choose the company, tend to prioritize how they can improve their competence in that company, in addition to treatment for them. Therefore, we need to establish systems that allow employees to have an experience in the unique value creation the Company offers, and transform the Company into a place where employees confidently feel satisfied to work.

Furthermore, regarding Ease of Work, I anticipate that our ongoing efforts for Work Style Reform, aimed at complying with restrictions on maximum overtime hours, Elimination of Harassment, and Human Resources System Reform, will contribute to enhancing employees' engagement.

MIURA: If we truly believe "the most important asset of the Group is its human capital," we must realize our organization that takes care of each employee at the center of management. The currently ongoing reforms are significant with respect not only to their contents, but also decision-making process they followed in which extensive discussions have been initiated across a broad spectrum of employees, from young employees to executives, under the President & CEO AIKAWA's strong commitment. I believe that now is the time to transform into a cohesive and positive company, as all employees are united in their commitment to corporate culture reform, driven by a sense of urgency. If we succeed in transforming the Company into a better company, it will also become easier to secure human capital, thereby strengthening our management foundation. As the Audit & Supervisory Board Member, I will closely monitor the progress of these reforms and transformations, and keep an eye on the situation by checking how the mindset will change in worksites.

Seek More Effective Discussions with External Members of the Board to Improve Corporate Governance

— Could you share your opinions on what is necessary to further enhance corporate governance of the Group?

SATO: It is essential to enhance the corporate governance for the sustainable growth of the company. Over the past several years, we have proactively engaged in

corporate governance reform and have steadily promoted its establishment.

TASHIRO: I appreciate the enhanced pre-briefings of agendas for the Board meetings, and narrowing down of the number of agenda items as well as securing of enough time for deliberations through the preparation of documents and briefings in a concise manner. I feel that the Board is becoming prepared to facilitate active discussions aimed at truly enhancing corporate value.

We have set “value creation” as one of the Taisei Spirit, and it is actually the value creation that we contribute to society and our clients through our business. I believe that the purpose of a company is to contribute to society, therefore value creation and the pursuit of profit are not contradictory to each other. As past Medium-Term Business Plans had failed to achieve their numerical targets, we spent plenty of time discussing and formulating the [TAISEI VISION 2030] Achievement Plan. Under President & CEO AIKAWA’s principled leadership, a profit-oriented mindset has been instilled into the Company, and I believe that, from now on, it is important to start discussing at an early stage how to prevent deviations from the targets.

SATO: It is extremely important for all officers and employees to share what the Company aims for, and it has been a significant step forward that the President & CEO AIKAWA showed his clear focus on a profit-oriented stance and that such stance has been gradually but consistently instilled into the employees.

Then, from the standpoint of the Audit & Supervisory Board Member, I would like to make a few comments to revitalize the Board further. First, the deliberations at the Board tend to follow a predetermined course, with little active discussion from internal Members of the Board. While the number of agendas has been narrowed down in efforts to secure sufficient time for deliberation, I still see room for further review and for dedicating more time to discussions to revitalize the Board.

Second, it is crucial that the executives definitely implement the follow-up on the issues raised or left for further consideration at the Board meetings or the pre-briefings of the Board meeting. I believe that it is important to link the items discussed at the Board meetings to practical initiatives, and therefore the executives must definitely implement the follow-up for such a process.

Third, while three factors such as era, technology, and human capital have significantly changed, the Board should have discussions from a macro perspective in reference to the analysis of management policies and medium- to long-term business plans of other competitors



on where the real risks to the Company lie; whether or not the entire industry might be declining without our recognition; and what we must do to achieve medium- to long-term growth of the Company.

OHARA: I agree with the first point Mr. SATO has raised. While the Board meeting is a council of both external and internal members of the Board, there should be no distinction between them in terms of how they participate in the council. Although information might be inevitably asymmetrical between internal and external members of the Board, it is important, I believe, to take advantage of committees within the Board and exchange frank opinions in order to revitalize the Board, while ensuring that internal and external members do not shy away from contributing to each other, or that internal members do not just only become a position to attentively listen to the opinions of external members. Additionally, it is crucial to share the information and perspectives of Audit & Supervisory Board Member with External Member of the Board, and to ensure that more than one External Member of the Board express their opinions in a coordinated manner.

MIURA: When considering the future growth of the Group from now on, we cannot have a discussion without considering the factors such as the declining birth rate and aging society, reduction in the domestic population, and soaring prices of raw materials, and to achieve sustainable growth will require extraordinary efforts. Therefore, I believe that the Board should pool its wisdom by combining the insights of External Members of the Board with the experience of Internal Members of the Board, and focus on differentiating the company from other competitors through technology and human capital and business expansion strategies with a view to the future.

SATO: In light of our performance over the past few years, the governance that we emphasize and secure profits through “defensive” management is important at first. At the same time, as a leading company in the industry, it is also important to look ahead and steadily enhance our reputation among various stakeholders, including the clients, shareholders, and local communities. I think that we need to discuss how we, as the Group, will advance initiatives for the future.

OHARA: For the sustainable development of the Company, it is also important to have an appropriate succession plan. As the Audit & Supervisory Board Member, I will request that the committees within the Board thoroughly discuss the selection and development of human capital who will lead the Company in the future.

Moreover, whilst the external environment rapidly changes, it is essential to promote diversity within the Board in order to ensure that the vast know-how, organizational capabilities, and expertise that the Group has cultivated over 150 years are effectively passed on while adapting to the era. To broaden the range of ideas, I think that by adding human capital who can raise questions from different fields and perspectives and enhancing diversity, other members will also be inspired, leading to deeper discussions.

MIURA: I agree with the points raised by other members regarding the progress of corporate governance reform and the challenges to further revitalize the Board.

Regarding compliance and risk management, the Group has always maintained a high level of awareness and has



worked diligently to improve its management systems. Concerning the inappropriate incident last year, the Compliance Committee as a Special Committee conducted a detailed analysis of the causes and discussed measures to prevent the recurrence, and the Board dedicated a significant amount of time to discussing how to restore the trust. The measures taken such as the establishment of the Quality Control Division in response to the quality defect incident and the assignment of quality control specialists at branches have produced steady results, and it is essential to continue implementing these measures consistently.

OHARA: Regarding governance related to the risks that became apparent last year, it is important that the first line of defense and the second line of defense function in a balanced manner within the three lines of defense model. I believe it is necessary to create an environment where officers and employees can raise an objection within their respective roles and responsibilities.

MIURA: To enhance the Group’s risk management, it is crucial to establish a system that anticipates risks in advance and prevents incidents from occurring. For the time being, as the Audit & Supervisory Board Member, I am closely monitoring how the Group deals with restrictions on maximum overtime hours that took effect in April of this year.

In addition, thorough reporting is also crucial for enhancing compliance. As the saying goes, “no report, no supervision,” I, as the Audit & Supervisory Board Member, will monitor whether or not an environment exists where psychological safety is maintained and that correct decisions can be made based on appropriate reporting.

Contributing to the Sustainable Growth of the Group by Sharing Our Experience and Knowledge

— Could you share your thoughts regarding the role of the Audit & Supervisory Board Member and your own role in promoting the sustainable growth and medium- to long-term value enhancement of the Group?

SATO: The role of Audit & Supervisory Board Member is socially expanding. Beyond their statutory duties, they are increasingly expected to take a more hands-on approach, such as reviewing whether or not the discussions and decisions toward sustainable corporate growth are conducted at the Board. I believe that our future task is, in order for the Company to maintain a respected, steady and sustainable growth, to anticipate the risk events by grasping the events occurring in the Company, and prevent the occurrence of such risk events by implementing necessary checks.

From my experience as an executive, I have shouldered the significant responsibility of integrating diverse corporate cultures into a unified whole. I will proactively share my insights with the Board and management, such as I can share from the experience, developments in finance, macroeconomics and technology, and corporate governance cases, and thereby support the Group’s growth.

TASHIRO: The construction industry is an industry that greatly contributes to society, such as rushing to the disaster area and engaging in the restoration of the infrastructure when natural disasters such as the recent Noto Peninsula earthquake occur. The construction industry also faces broader challenges, such as public infrastructure development, extending the lifespan of facilities, and realizing a decarbonized society. The Board must address these issues with a view to what the construction industry should be in order to fulfill its social responsibilities. To this end, it is important to ensure that discussions are steered in the right direction and at the appropriate timing through the careful selection of agenda items, and as the Audit & Supervisory Board Member, I will be responsible for verifying that this process is conducted properly.

OHARA: As a lawyer, I believe the Company should assert its rights fairly and squarely, in promoting fair business practices. While it is crucial to respond sincerely to the client’s demands, it is also important to respond with a firm attitude against unreasonable requests. As the Audit & Supervisory Board Member, I would like to support the company’s divisions such as the business administration division, to ensure that the Company’s limited human capital and other resources are utilized efficiently.

MIURA: The police, where I have my roots, is a nationwide organization of approximately 300,000 people, and effective organizational management is critical. Even if top management issues a message, it does not mean it will smoothly be instilled into the frontline of the organization. Therefore, I had always been thinking how to absorb the opinions and wisdom of the frontline and how to instill the direction of the headquarters into the frontline, and consciously implement such an approach. The construction industry also has worksites across the country and the head office appropriately supports the site supervisor who has an authority, and encourages the originality and ingenuity of the worksites. I think this is similar aspect between the construction industry and the police organization, I will leverage my experience in enhancing our corporate value by facilitating my experience in the management of multi-layered organizations.

