

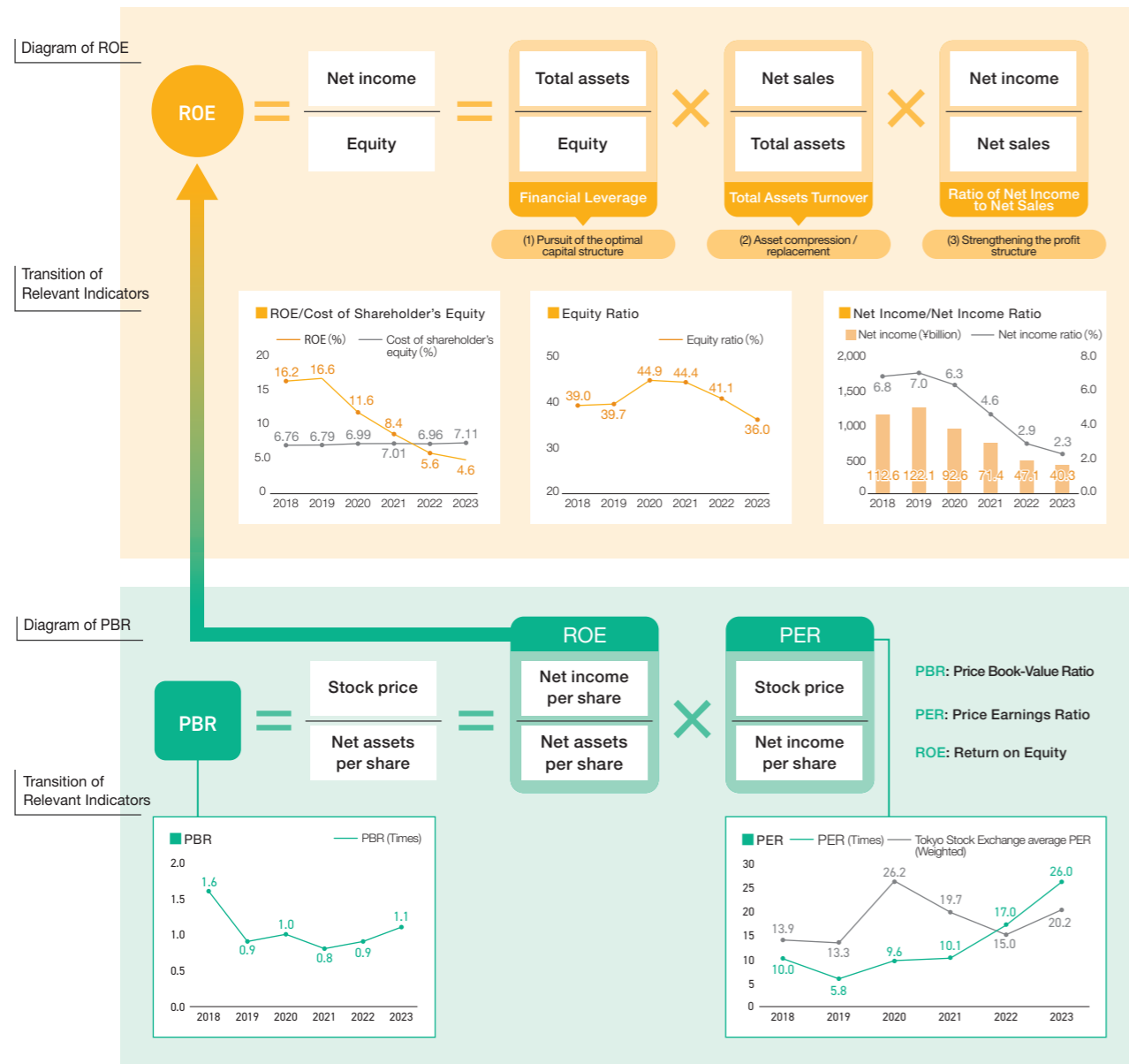
# ① Fundamental Management Policy

To effectively implement the [TAISEI VISION 2030] Achievement Plan as we move towards FY2030, we have established “Financial Policy,” “Human Capital,” and “Technology Development” as our Fundamental Management Policy. This involves the optimal allocation of the Group’s management resources—human and working capital, and products. We will steadily execute measures based on these policies to achieve profit growth.

## (1) Financial Policy

### Recognition of Cost of Shareholder’s Equity and PBR/ROE

The Company recognizes the current status of the Group’s cost of shareholder’s equity, ROE, and PBR as follows. To improve PBR, we will implement the measures outlined below.



## Purpose and Policy

In order to continuously achieve the ROE target of approximately 10% by FY2030, we have established KPIs for pursuing an optimal capital structure (the ratio of equity capital to external funding), reducing or replacing assets, and strengthening our earnings structure. We will execute growth investments, which are the source of returns, based on investment standards and fund allocation policies.

While the Group had been aiming for substantively debt-free management, we have shifted our policy to utilize interest-bearing debt within the bounds of maintaining financial discipline, in order to make growth investments and earn returns. We will actively pursue investment opportunities without missing out on growth potential.

Purpose	To Develop Foundations That Contribute to Enhancing the Group’s Corporate Value	Policy
1 We, on the premise of <b>maintaining financial discipline (maintaining our credit rating);</b>	Continued assurance of ROE of approx. 10% and pursuit of the optimal capital structure	Implementation of growth investment based on investment criteria and fund allocation policies
2 Ensure <b>smooth execution of the construction business;</b>		
3 While balancing with the <b>shareholder returns (distribution of profits to shareholders);</b> and	Implementation of growth investment based on investment criteria and fund allocation policies	Implementation of growth investment based on investment criteria and fund allocation policies
4 <b>Secure growth investment preferentially portfolio.</b>		

## 1. Continued Assurance of ROE of Approx. 10% and Pursuit of the Optimal Capital Structure

(i) KPIs to boost ROE: To earn large profits with small-case B/S

① Pursuit of the optimal capital structure	② Asset compression / replacement	③ Strengthening the profit structure	ROE: 10% or more
Financial leverage <b>2.5 times</b>	Total assets turnover <b>1 time</b>	Ratio of net income to net sales <b>5%</b>	
① Pursuit of the optimal capital structure	<ul style="list-style-type: none"> <li>To adhere to a net debt to equity ratio that allows the rating to be maintained (Approx. 0.4 times)</li> <li>To maintain equity ratio of approx. 40% (financial leverage of 2.5 times)</li> </ul>		ROE: 10% or more
② Asset compression / replacement	<ul style="list-style-type: none"> <li>Total asset turnover: 1.0 time or more</li> <li>Sale of cross-shareholdings (Reduce to less than 20% of consolidated net assets by the end of FY2026)</li> <li>To limit the risk asset balance to a certain ratio of consolidated shareholders' equity through comprehensive risk management</li> </ul>		
③ Strengthening the profit structure	<ul style="list-style-type: none"> <li>Ratio of net income to net sales: 5% or more</li> </ul>		

(ii) Shareholder returns

- Dividend payout ratio: To maintain approx. 30%, assuming long-term and stable dividends
- To acquire treasury share up to a total return ratio of 100% in the event that surplus funds are generated after implementing “growth investment” and “shareholder dividends”

## 2. Implementation of Investments Based on Investment Criteria and Fund Allocation Policies

Fund Allocation Policies	Policy
	•To judge the individual investment decisions based on investment criteria (to set hurdle rates according to business characteristics)
	•To finance based on KPI to pursue the optimal capital structure
	•To review the priorities and allocation ratios as necessary in response to changing conditions
	•To treat the excess over the minimum cash and cash equivalents balance during the current fiscal year period among “internal reserve funds” is treated as surplus funds, and allocate to “investments” and / or “shareholder returns” as necessary.

P.50 Fund Allocation Policies (Cash Allocation)

## Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

In conjunction with establishing the [TAISEI VISION 2030] Achievement Plan, we have also set forth “action to implement management that is conscious of cost of capital and stock price.” Based on our current understanding of the situation, we will implement the following measures to improve ROE and PER, thereby enhancing PBR.

### Measures to Enhance PBR

Measure 1 **Enhancement of ROE** To secure stable profits in the Group domestic building construction business

- ▶ The primary reason for the low ROE (4.6%) was the decline in profit margins in our domestic building construction business, one of our core segments. This was due to delays in developing a production system to match business expansion under the previous Medium-Term Business Plan, difficulties in passing on increased construction material costs, and the strategic acceptance of several large-scale projects in a highly competitive environment.
- ▶ Rebuilding the profitability of the Group’s domestic building construction business is our top priority. We will continue the initiatives started in the final year of the previous Medium-Term Business Plan as key measures in the Medium-Term Business Plan (2024-2026).

<Priority Measures>  
To restructure the profit structure through appropriate receiving an order and performance of the works

- To expand the system for the performance of the works by grasping appropriate production capacity and to enhance productivity by reviewing the human resource training system
- To invest management resources in the advantageous fields
- To pass the price of construction materials on to the contract prices based on the outline of the revision of the Construction Business Act

- ▶ Over the medium-to-long-term, we aim to achieve a gross profit ratio of 10% or more in the Group domestic building construction business in order to ensure a sustained ROE of approx. 10% from FY2030 onward.

Measure 2 **Enhancement of ROE** To continue to implement shareholder return policy based on strategic intent

- ▶ We will promote financial policy that are aligned with our strategic intent.

Measure 3 **Enhancement of PER** To disclose our specific policies on financial discipline and growth investments as part of our financial policy

- ▶ The Group has prioritized “strengthening our financial position,” which had been weakened in previous years, and has pursued a “substantively debt-free management” approach, successfully achieving it.
- ▶ Moving forward, we will pursue an optimal capital structure while maintaining our credit ratings and will promote the measures based on the following policies:

#### Funding Policy

- To adhere to a net D/E ratio of 0.4 times
- To maintain an equity ratio of approx. 40% (financial leverage of 2.5 times)

#### Shareholder Returns

- Dividend payout ratio: To maintain approx. 30% assuming long-term, stable dividends
- To acquire treasury share up to a total return ratio of 100% in the event that surplus funds are generated after implementing “growth investment” and “shareholder dividends”

#### Asset Compression/ Replacement

- Total asset turnover: 1.0 time or more
- Sale of cross-shareholdings (Reduce to less than 20% of consolidated net assets by the end of FY2026)
- To limit the risk asset balance to a certain ratio of consolidated shareholders’ equity through comprehensive risk management

#### Investments

- If the source of funds for allocation is less than the required investment amount, we will allocate from internal reserve funds.
- If funding is still insufficient, we will consider external financing.

#### Shareholder Returns

- From the perspective of the stable dividends, we will pay dividends even if they exceed the amount based on the distribution rate.
- If the source of dividends is less than the targeted returns, we will allocate from internal reserve funds.

Measure 4 **Enhancement of PER** To disclose the progress of “[TAISEI VISION 2030] Achievement Plan” and have sincere dialogue

- ▶ We will disclose progress on non-financial measures, such as sustainability strategies, alongside KPIs achieved through medium- and long-term business strategies and business transformations, including DX. In addition, through sincere dialogue with stakeholders, we will win their confidence for the feasibility of our growth strategy.

## (2) Human Capital

We have positioned human resources as “capital,” recognizing that our people are the source of our competitive strength. We aim to develop a personnel system that fosters both a comfortable and fulfilling work environment, with the goal of improving employee engagement and providing diverse career paths.

**Fundamental Policy** We recognize that human capital is a source of competitiveness and swiftly implement the necessary measures.

- To create an environment in which employees can realize their full potential to enhance their engagement
- To expand human capital investment to support the Group’s sustainable growth
- Physical, mental, and social health and feeling of happiness (well-being), and realization of diverse career paths

For details of our efforts to achieve [TAISEI VISION 2030], please refer to Part 3 “Sustainability: Human Capital.” **P.91**

## (3) Technology Development

In our approach to technology development, we have identified four key focus areas: social and environmental issues, strengthening social infrastructure, regional revitalization, and new frontier business. We are committed to differentiating our technology and innovating our production processes. Additionally, we aim to contribute to new business ventures and build a foundation for sustainable business creation.

**Fundamental Policy** We have identified four technological areas to be addressed: social and environmental issues, strengthening social infrastructure, regional revitalization, and new frontier business.

- To leverage our strengths of environmental and social infrastructure enhancement technologies such as ZEB and T-eConcrete®, pursue technological expertise required by the society for major general contractors, and differentiating ourselves from other competitors by brushing up such expertise
- To enhance the productivity and innovate production process by utilizing technologies such as generative AI, automation, and remote control in order to resolve the urgent issues of a shortage of workers

For details of our efforts to achieve [TAISEI VISION 2030], please refer to Part 3 “Sustainability: Technology.” **P.95**

## ② Policy on Business Foundation Development

In the [TAISEI VISION 2030] Achievement Plan, we outlined initiatives related to cross-cutting themes under the Policy on Business Foundation Development. To fulfill our corporate responsibilities regarding human rights, we have newly established a “Sustainability Management Strategy (Human Rights)” and have added “Quality” in response to recent inappropriate events. We will steadily implement measures based on these policies to build an even stronger business foundation.

### Fundamental Policies

**Sustainability Management Strategy**  
(Environment and Energy) **P.77**

We achieve the Environmental Policy and the TAISEI Green Target 2050 (TGT2050).  
① For each employee to proactively participates in TSA\* activities in order to achieve the TGT2050  
② Continued implementation of environmental due diligence

\* TSA:TAISEI Sustainable Action®, an eco-impact reduction endeavor for all employees of the Group to collectively participate in to realize our environmental targets

**Sustainability Management Strategy**  
(Human Rights) **P.87**

We respect human rights of each employee involved in the Group’s business.

**Safety** **P.99**

We aim to maintain zero fatal accidents, zero serious accidents, and zero environmental accidents.

**Quality** **P.100**

We uphold proper quality control, aim to eliminate all defects attributable to quality mismanagement and improve customer satisfaction.