

Risks and Opportunities

1) Risks and opportunities on the medium- to long-term business strategies

Business	Risks	Opportunities
<p>Group Domestic Building Construction Business</p>	<ul style="list-style-type: none"> <li>● Intensifying competition of new construction orders in the domestic construction market</li> <li>● Medium- to long-term decline in the construction market</li> <li>● Soaring construction material prices due to the weak yen and rising energy costs</li> <li>● Shortage of skilled construction workers due to the declining birthrate, aging population, and shrinking workforce</li> <li>● Impact on construction capacity and rising labor costs due to the implementation of legal upper limit on overtime working hours</li> <li>● Decline in construction capacity caused by climate change and natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Growing demand for environment-related technologies</li> <li>● Strong demand for private construction driven by the robust performance of domestic companies</li> <li>● Reshoring of manufacturing by domestic companies in response to heightened geopolitical risks</li> <li>● Room for expansion into growth and subordinate fields to increase market share in the construction sector</li> <li>● Opportunities to expand learning environments to enhance on-site capabilities and productivity</li> <li>● Improved productivity, reduced workload, and consistent quality through construction mechanization and prefabrication, and digitalization</li> </ul>
<p>Group Domestic Civil Engineering Business</p>	<ul style="list-style-type: none"> <li>● Intensified competition of new construction orders in the domestic civil engineering market</li> <li>● Soaring construction material prices due to geopolitical risks</li> <li>● Shortage of skilled construction workers due to the declining birthrate, aging population, and shrinking workforce</li> <li>● Impact on construction capacity and rising labor costs due to the implementation of legal upper limit on overtime working hours</li> </ul>	<ul style="list-style-type: none"> <li>● Growing demand for environment-related technologies in the pursuit of a decarbonized, recycled-oriented, and nature co-existing society</li> <li>● Strong demand supported by national resilience initiatives</li> <li>● Expansion of the renewal market due to aging infrastructure</li> <li>● Increased need for dams and underground river facilities (shields) in response to the intensification of heavy rain disasters</li> <li>● Increased need for dams and underground river facilities (shields) in response to the intensification of heavy rain disasters</li> <li>● Participation in major national projects, including airport-related developments</li> </ul>
<p>Group Domestic Real Estate Development Business</p>	<ul style="list-style-type: none"> <li>● Changes in the real estate market due to sudden economic fluctuations, rising interest rates, etc.</li> <li>● Fluctuations in vacancy and occupancy rates and rent due to shifts in the supply demand balance</li> <li>● Rising project costs due to soaring prices of construction materials and resources</li> </ul>	<ul style="list-style-type: none"> <li>● Growing demand for new urban development to address social and environmental issues</li> <li>● Increase in large-scale development and redevelopment projects requiring advanced know-how</li> <li>● Rise in projects that require the technical involvement of general contractors from the initial stages</li> </ul>

Group Overseas Business	<ul style="list-style-type: none"> <li>● Financial collapse and security risks in countries where operations are conducted</li> <li>● Contractual risks arising from systems, laws, and business practices only in the countries of operation</li> <li>● Geopolitical risks</li> <li>● Risk of price spikes</li> <li>● Foreign exchange risks</li> </ul>	<ul style="list-style-type: none"> <li>● Sustainable growth of the global construction and real estate markets</li> <li>● Acceleration of global sustainability initiatives</li> <li>● Increasing importance of technology assessment in emerging markets</li> </ul>
Group Engineering Business	<ul style="list-style-type: none"> <li>● The risk of losing competitive advantage in securing orders if we are unable to continually acquire and maintain cutting-edge, differentiated technologies.</li> <li>● Rising construction material prices and procurement challenges.</li> <li>● Challenges in securing skilled personnel.</li> </ul>	<ul style="list-style-type: none"> <li>● Diversification of client needs aimed at addressing social and environmental challenges.</li> <li>● Ongoing demand for capital expenditures in dynamic, growth-oriented markets.</li> <li>● Reshoring of manufacturing to domestic locations in response to increasing geopolitical risks.</li> </ul>

2) Risks and opportunities on key sustainability issues

Issues		Risks	Opportunities
Environment	Decarbonized Society	Please refer to “Measures to address risks and opportunities” on Information Disclosure of Integrated Environmental Management (TCFD/TNFD) <a href="https://www.taisei-sx.jp/english/esg_guide_line/tcf/#anc3">https://www.taisei-sx.jp/english/esg_guide_line/tcf/#anc3</a>	Please refer to “Measures to address risks and opportunities” on Information Disclosure of Integrated Environmental Management (TCFD/TNFD) <a href="https://www.taisei-sx.jp/english/esg_guide_line/tcf/#anc3">https://www.taisei-sx.jp/english/esg_guide_line/tcf/#anc3</a>
	Recycling Oriented Society		
	Nature Co-Existing Society		
Energy		<ul style="list-style-type: none"> <li>● Decline in competitiveness, stakeholder reputation, and opportunities for receiving orders due to insufficient efforts.</li> </ul>	<ul style="list-style-type: none"> <li>● Increased opportunities for receiving orders for renewable energy-related projects.</li> <li>● Progress in the development of technologies and services and the promotion of their societal implementation.</li> <li>● Expansion of business by participating renewable energy ventures.</li> <li>● To secure competitive advantage associated with the above, enhance corporate value, and improve stakeholder reputation.</li> </ul>
Human rights		<ul style="list-style-type: none"> <li>● Risks associated with insufficient efforts to respect human rights, including potential health issues among employees, decreased engagement, and the possibility of facing compensation claims or social sanctions in the event of human rights violations.</li> <li>● A decline in competitiveness and stakeholder reputation, as well as a reduction in business opportunities,</li> </ul>	<ul style="list-style-type: none"> <li>● Securing top talent, improving engagement among executives and employees, and revitalizing the organization by promoting initiatives to respect human rights.</li> <li>● Gaining a competitive advantage, enhancing corporate value, and improving stakeholder reputation as a result of these initiatives.</li> </ul>

	<p>due to inadequate information disclosure regarding these efforts and initiatives.</p>	
Human capital	<ul style="list-style-type: none"> <li>● Loss of human capital with diverse abilities due to insufficient efforts to leverage diverse attributes and talents, leading to stagnation in innovation and other initiatives.</li> <li>● Decreased competitiveness and lower stakeholder evaluation resulting from inadequate disclosure of information about the aforementioned efforts, and a reduction in opportunities for securing contracts.</li> </ul>	<ul style="list-style-type: none"> <li>● Securing diverse talent by promoting diversity, equity, and inclusion (DE&amp;I) initiatives, enhancing employee and executive engagement, and revitalizing the organization.</li> <li>● Securing a competitive edge, enhancing corporate value, and improving stakeholder evaluation as a result of the aforementioned opportunity.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>● Insufficient efforts in technology development may lead to an inability to provide high-quality, high-performance construction products and related services that meet client needs.</li> <li>● Decline in competitiveness, stakeholder evaluation, and order opportunities as a result of the above.</li> </ul>	<ul style="list-style-type: none"> <li>● To promote technological development to “create added value that exceeds client expectations” and the “realization of employee work style reform.”</li> <li>● To secure competitive advantages, increase order opportunities, enhance corporate value, and improve stakeholder evaluation as a result of the aforementioned opportunity.</li> </ul>
DX	<ul style="list-style-type: none"> <li>● Stagnation in the transformation of production systems and work style reforms due to insufficient efforts.</li> <li>● Risk of system failures caused by the leakage of important or personal information of stakeholders, and virus infections due to inadequate information security measures.</li> <li>● Decline in competitiveness, stakeholder evaluations, and reduced order opportunities as a consequence of the above.</li> </ul>	<ul style="list-style-type: none"> <li>● To promote technological development to “create added value that exceeds client expectations” and the “realization of work style reform.”</li> <li>● To secure competitive advantages, increase order opportunities, enhance corporate value, and improve stakeholder evaluations as a result of the aforementioned opportunity.</li> </ul>
Safety	<ul style="list-style-type: none"> <li>● Occurrence of industrial accidents and legal violations due to insufficient efforts.</li> <li>● Risk of being subject to criminal penalties, administrative actions, or claims for damages resulting from accidents.</li> <li>● Decline in competitiveness, stakeholder evaluation, and order opportunities as a result of the above.</li> </ul>	<ul style="list-style-type: none"> <li>● To secure excellent business partners and human capital by promoting proactive safety measures.</li> <li>● To occupational health and safety management capabilities and productivity through the use of new technologies such as automation, robotics, and digital technologies.</li> <li>● To secure a competitive advantage, enhance corporate value, and improve stakeholder evaluation as a result of the aforementioned opportunities.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>● Compromised client health and safety or diminished asset value due to quality defects or failures.</li> <li>● Increased costs and potential liabilities due to poor construction and subsequent repairs.</li> <li>● Risk of inadequate quality control due to personnel shortages, particularly the decline in skilled engineers.</li> <li>● Decline in competitiveness, stakeholder evaluation, and order opportunities as a result of the above.</li> </ul>	<ul style="list-style-type: none"> <li>● To build trust and generate new business opportunities by providing high-quality buildings that meet client needs.</li> <li>● To ensure appropriate profits through effective quality management.</li> <li>● To improve quality control and productivity by leveraging new technologies, such as automation, robotics, and digital tools, and promoting the development of innovative solutions.</li> <li>● To secure a competitive advantage, enhance corporate value, and</li> </ul>

		improve stakeholder evaluation as a result of the aforementioned opportunities.
Supply chain	<ul style="list-style-type: none"> <li>● Labor shortages due to the declining birthrate, aging population, and shrinking workforce.</li> <li>● Occurrence of human rights violation and environmental disruption across the supply chain due to insufficient efforts.</li> <li>● Effect on construction period and cost due to delays in material procurement caused by emergence of geopolitical risks and natural disasters.</li> <li>● Decline in competitiveness, stakeholder reputation, and opportunities for receiving orders associated with mentioned above.</li> </ul>	<ul style="list-style-type: none"> <li>● To realize coexistence and co-prosperity between business partners.</li> <li>● To secure stable material procurement and production capacity at worksites.</li> <li>● To secure competitive advantage, enhance corporate value, and improve stakeholder reputation associated with mentioned above.</li> </ul>