

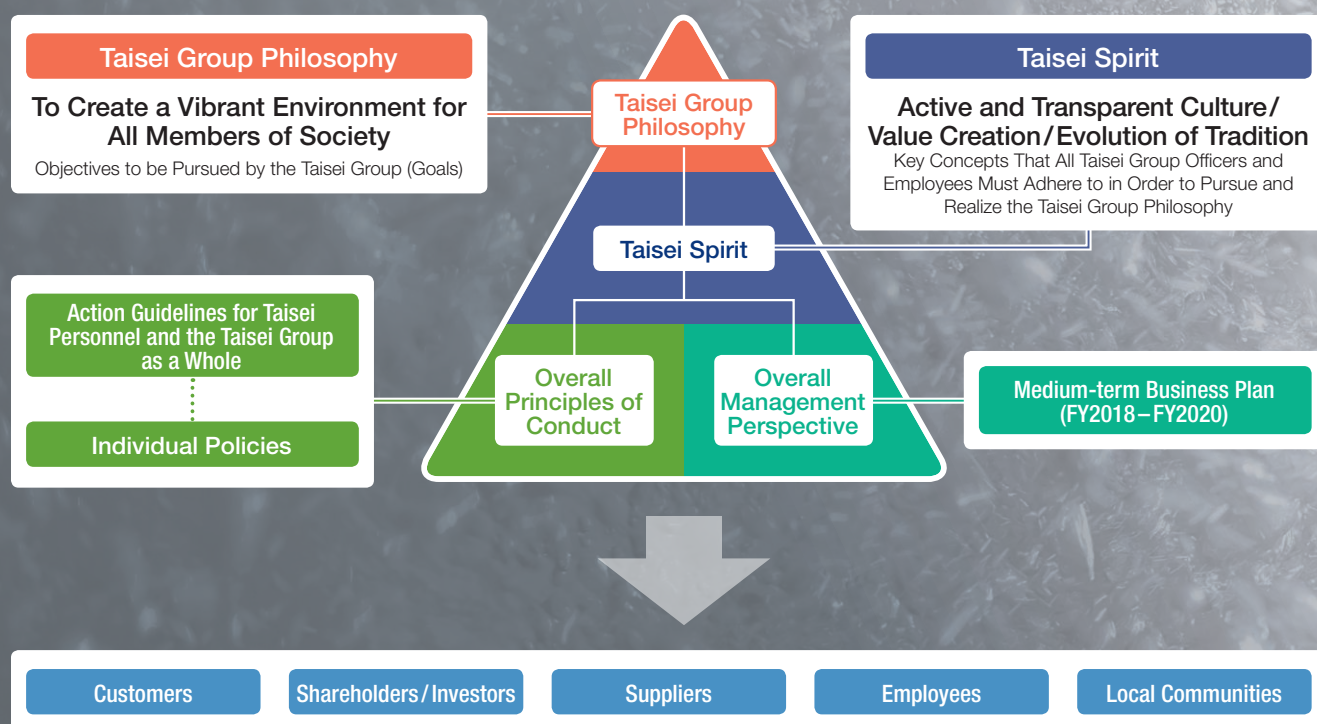
TAISEI

ANNUAL REPORT 2019



To Create a Vibrant Environment for All Members of Society

The Taisei Group creates “safe, secure, and attractive spaces” and “high value” in harmony with the nature, and strives to build a global society filled with dreams and hopes for the next generation.



In order to pursue the Taisei Group Philosophy “To Create a Vibrant Environment for All Members of Society,” all officers and employees share the “Taisei Spirit,” and carry out corporate actions based on the Group Action Guidelines and Individual Policies “Overall Principles of Conduct” and “Overall Management Perspective” and Medium-term Business Plan. The aim is to create new social value in the course of these actions through the wishes and expectations of our stakeholders, while being aware of the issues of sustainable society and contributing towards their resolution.

Group Slogan*

For a Lively World

*The Taisei Group Philosophy, the Taisei Spirit and the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole can be summed up in the following slogan.

Taisei Spirit

Active and Transparent Culture

We value diversity and, through open and active communication lines and networks both internal and external to the Taisei Group, seek to cultivate a transparent and active corporate culture in which all of our officers and employees are able to reach their full potential.

Value Creation

Not limited to our understanding of society at large, we carefully take into account the needs of our clients and using all of the technology and know-how at our disposal, together with our passion for innovation and ingenuity, seek to construct innovative and valuable engineering projects that inspire and impress our clients.

Evolution of Tradition

We aim to instill within the Taisei Group the Japanese tradition of monozukuri (precise, superb craftsmanship) and continually challenge ourselves to provide ever more valuable contributions to society and ensure our continued development and growth as a respected corporate group.

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

- 1 Cultivating an open corporate culture
- 2 Securing a pleasant working environment
- 3 Respect for fundamental human rights and diversity
- 4 Creating a vibrant environment for all members of society
- 5 Striving to create value
- 6 Pursuing customer satisfaction
- 7 Ensuring and improving safety and quality
- 8 Respect for traditions
- 9 Promoting partnerships with subcontractors and suppliers
- 10 Promoting environmental conservation and creation
- 11 Communication with local communities
- 12 Conduct in the international community
- 13 Appropriate disclosure of information
- 14 Fulfilling social responsibilities

Individual Policies

- Risk Management Policy
- Policy on the Protection of Personal Information
- Quality Policy
- Health and Safety Policy
- Environmental Policy
- Environmental Targets
- Policy on Business Continuity in Times of Disaster
- Information Disclosure Policy
- Policy on Intellectual Property
- Declaration of Biodiversity Preservation
- Policy on Intellectual Property
- Human Rights Policy
- Fundamental Corporate Governance Policy
- Fundamental Policy to Enhance Operational Compliance Systems
- Code of Conduct on the Use of Social Media
- IR Policy
- Social Contribution Policy

Editorial Policy

This report is intended to help readers better understand the creation of our corporate value as a whole, such as corporate activities, financial statements, and management tasks in line with the Taisei Group Philosophy and the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.



This report comprehensively and concisely discloses our key ESG information that provides starting points for dialogues, including the President's talks and External Board Members' discussion, and SDGs dialogue, as well as our initiatives on sustainability.

Further details about the initiatives related to ESG and sustainability are available in the "CSR" section on Taisei Corporation's official website.

WEB » <https://www.aisei.co.jp/english/csr/>

<Supplementary Note on Employees>

- "Employee" refers to employees of Taisei Corporation. "Personnel" refers to personnel working at Taisei Corporation, including dispatched and seconded personnel.
- "Officers and personnel" collectively refers to Members of the Board, Executive Officers, Executive Fellows, and employees of Taisei Corporation.

Period of Coverage

The main subject of this report is the actual results for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019). Some contents concern the data for the previous fiscal year or the most recent activities.

Scope of Coverage

In principle this report covers the activities of Taisei Corporation and the Taisei Group companies (consolidated subsidiaries) as of March 31, 2019, unless otherwise noted.

Guidelines on Non-Financial Information Disclosure

- GRI Sustainability Reporting Standards
- ISO26000: 2010 (International Organization for Standardization)
- Integrated Reporting Framework (International Integrated Reporting Council: IIRC)
- Environmental Reporting Guidelines (2018)
- Guidance for Collaborative Value Creation (METI)

Third-party opinions and third-party assurance on this report


- Kanji Tanimoto, DBA, Professor, School of commerce, Waseda university
- "Independent Assurance Report" on the environment data and indices by Ernst & Young ShinNihon LLC


Date of Issue

- September 2019


Composition of Communication Materials

● Japanese ● English

**Publications**



TAISEI ANNUAL REPORT 2019 ● ●
(Integrated Report)

**Website**

Investor Relations Information ● ●
<https://www.aisei.co.jp/english/ir/>

CSR Activities (Sustainability): ● ●
<https://www.aisei.co.jp/english/csr/>

Amount of information → More

ESG Evaluation (As of July 1, 2019)



MSCI Japan Empower
Women Index (WIN)



MSCI Japan ESG
Select Leaders Index



2019 Constituent
MSCI ESG
Leaders Indexes



FTSE4Good



FTSE Blossom
Japan



Leadership Score of
A- [2018]

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ANNUAL REPORT 2019

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Note Regarding Forward-Looking Statements

This report has been produced in an environmentally friendly manner. It is printed on lightweight paper to reduce the use of timber resources and transportation energy, using vegetable oil-based ink.



Message from the President

To Our Stakeholders

We aspire to be a corporate group that keeps growing along with the sustainable development of society.

村田 誉之

Yoshiyuki Murata

President and Chief Executive Officer,
Representative Director

Toward Achieving the Medium-term Business Plan (FY2018–FY2020)

On the back of the continued boom in the construction industry toward the Tokyo 2020 Olympics and Paralympics Games, the Taisei Group's FY2018 operating results achieved an increase in revenues as its construction works progressed smoothly. Also, the Group recorded the second-highest profit ever, although a decrease from the record high posted in FY2017.

The post-Olympics domestic construction market is expected to remain strong for the time being with measures to strengthen national resilience, continuation of large-scale re-development projects in central Tokyo, and the scheduled Osaka-Kansai Expo.

In light of Japan's declining population and financial constraints, however, there is no room for optimism for the medium- to long-term operating environment.

The Medium-term Business Plan that started in FY2018 states a target business scale in the medium to long term of ¥2 trillion under the basic policy of "establishing a foundation for growth with the construction business at the core."

In order for Taisei Corporation to achieve sustainable growth even if the domestic construction market shrinks in the future, it is indispensable to secure and expand its

current business size. To this end, the most important task for us is to sustainably grow the overseas business and convert to a corporate structure that is genuinely suitable for the overseas market.

In addition to the overseas business, we will strategically invest management resources in focus areas in which we can demonstrate our core businesses' strengths (energy and the environment, urban development and PPP, renewal, engineering) as well as in technological development for differentiation in the future.

To Be a Trusted Company

The Taisei Group will celebrate its 150th anniversary in 2023.

We need to lay out management directions from a long-term perspective more than ever in order to grow sustainably past the landmark 150th anniversary.

Going forward, it will also be increasingly important to respond to climate change, environmental conservation, Japan's aging population with a declining birth rate and other social issues, and globally shared Sustainable Development Goals (SDGs).

Responding to environmental, social and governance (ESG) issues properly and proactively, in addition to dealing

Numerical Management Targets

Numerical management targets in the last fiscal year of Medium-term Business Plan (FY2020) (Consolidated)

| (Billions of Yen) | Medium-term Business Plan (FY2018–FY2020) | | |
|---|---|-------------|---|
| | FY2018 Actual | FY2019 Plan | FY2020 Target |
| Net sales | 1,650.8 | 1,740.0 | 1,870.0 |
| Operating income | 153.3 | 148.0 | 187.0 |
| Net income attributable to owners of parent | 112.5 | 103.0 | 130.0 |
| ROE | 16.2% | 13.9% | 12% or higher |
| Dividend ratio | 25.4% | 27.0% | About 25% |
| Interest-bearing debt | 217.4 | 230.0 | Less than ¥300 billion |
| Net interest-bearing debt* | (250.3) | — | (Permanent substantially debt-free operation) |
| Equity ratio | 39.0% | — | 40% or higher |

*Net interest-bearing debt = Interest-bearing debt - Cash and time deposits

with global initiatives such as SDGs, also creates a source of competitiveness. In the Medium-term Business Plan, we have identified eight ESG tasks (Materialities) that are considered to be particularly important for the Taisei Group. Especially, “Promotion of Compliance” serves as the basis for business activities as social credibility is the most important issue for a company’s existence.

In 2018, we were suspected of violating the Anti-Monopoly Act in relation to the Linear Chuo Shinkansen construction project. Taking this incident seriously, we revised our internal rules on contact with industry peers in September 2018 and operated our business under stricter rules. Furthermore, we provided thorough training and education to officers and personnel. For example, we conducted e-learning programs for all officers and personnel, in addition to training by external experts for officers and personnel in sales departments. We will continuously make further efforts to ensure compliance with the Anti-Monopoly Act.

While all officers and personnel in the Group think about what they should do based on an understanding of compliance’s essence, that is to respond to the expectations of society, I, as the top management, will take the lead in working on business activities going forward.

Realizing Stable Dividends

It is our policy to provide stable dividends to shareholders over the long term. We will properly return profits to our shareholders while strengthening our financial base to be prepared for future business development. With the aim of enhancing shareholder returns and improving capital efficiency, it was resolved at the General Meeting of Shareholders held on June 26, 2019 to increase dividends per share for the year by ¥5 to ¥130 (total dividends of ¥28.4 billion). In addition, the Board of Directors’ meeting held on May 10, 2019 resolved to buy back up to 8,300 shares (¥28 billion) of Taisei Corporation’s common stock.

We will aim to become a corporate group that keeps growing with the sustainable development of society by sharing the Taisei Group Philosophy of “To Create a Vibrant Environment for All Members of Society” among all officers and personnel, and through dialogues with our stakeholders.

We would appreciate your high hopes as well as continued support for our efforts toward further growth.

The Taisei Group Corporate History

DOMESTIC



1 Kihachiro Okura



2 The Tokyo Underground Railroad connecting Ueno to Asakusa

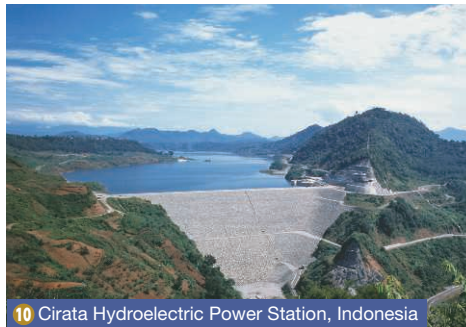


3 The National Stadium Japan

INTERNATIONAL



9 Hotel Indonesia



10 Cirata Hydroelectric Power Station, Indonesia



11 Djibouti Palace Kempinski Hotel

About Origin of Corporate Name and Corporate Emblem

Origin of Corporate Name

Derived from the Dharma name (posthumous Buddhist name) of the founder Kihachiro Okura. "Taisei" is taken from a line in the Chinese classic texts, "Mencius." It has a meaning of the "corpus" of people's virtues, which can be associated with accomplishing something, or gathering many pieces to build up something. As such, it was chosen as the most suitable for our company name. "Kensetsu" is a translation of the English word "construction," and it represents the fields of both civil engineering and building construction. We were the first construction company that adopted in its corporate name in Japan, and many other companies followed suit.

Corporate Emblem

It represents the corporate philosophy of Taisei Corporation, which pursues higher, deeper, and wider operations in harmony with nature. The orange color stands for a bright future, the blue for advanced technologies, and the green for abundant nature. An image of a natural environment on the irreplaceable earth—land, sea, and sun—, and us, human beings, with Taisei Corporation continuing to conduct activities higher, deeper, and wider than ever while maintaining a balance with the natural environment is depicted with energy and dynamics. Taisei Corporation adopted this symbol mark in April 1990, as a new corporate signature for the VI (visual identity) campaign, and officially adopted as its corporate emblem on April 1, 2003.



Foundation—1960

Carrying the modernization of Japan as well as the post-war reconstruction and development of new-born Japan

Founder Kihachiro Okura

The history of Taisei Corporation began when Kihachiro Okura (1) established Okura Gumi Shokai in 1873.

Kihachiro Okura engaged in import-export trade and construction. He gathered competent engineers and delivered one successful project after another, including the lock and tunnel at Lake Biwa, which became pioneer modernistic civil engineering work, as well as the construction of the first subway in the East, 2.2 km between Ueno and Asakusa (the current Ginza Line) (2).

1873 Established Okura Gumi Shokai (Foundation)

1887 Established Nippon Doboku Co., Ltd. (the first corporation in the Japanese construction industry)

1917 Established Kabushiki Gaisha Okura Doboku Gumi (first *kabushiki gaisha* (stock-type company) in the Japanese construction industry)

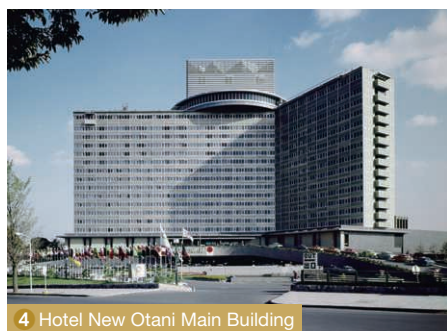
Birth of Taisei Corporation

Okura Gumi had difficulty surviving when designated as a target of the dissolution of *zaibatsu* (industrial group) but started over again under a new name, Taisei Corporation, in 1946. Introducing an employee shareholder program, Taisei Corporation became a non-family firm, which is rare among Japanese construction companies.

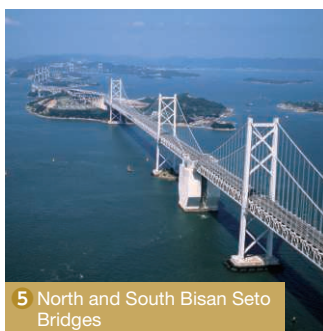
1946 Changed the name to Taisei Corporation

1947 Elected the President and Directors by employee voting

1956 Listed shares on Tokyo Stock Exchange, the industry's first such listing



4 Hotel New Otani Main Building



5 North and South Bisan Seto Bridges



6 Tokyo Metropolitan Government Building No. 1



7 The Otemachi Tower



8 The New Head Office Building of Kinki Sangyo Credit Union



12 Bosphorus Strait Crossing Railway Tunnel, Turkey



13 New Doha International Airport Terminal Building, Qatar



14 No.2 Terminal Building Noi Bai International Airport, Vietnam

1961–2010

Participating in numerous national projects and accommodating diversifying construction needs with comprehensive strengths

Participated in Numerous National Projects

Many infrastructure projects began for completion to coincide with the 1964 Tokyo Olympics, such as the National Stadium Japan (3) and the Metropolitan Expressway, adding color to this period. This period also saw the completion of Hotel New Otani (4), an international hotel with more than 1,000 guestrooms, as well as Hotel Okura Tokyo (see p.42), which combined Japanese tradition with modern facilities. The construction technologies acquired through these projects were adopted in skyscraper buildings in Shinjuku subcenter one after another and spread widely. The Company kept rising to challenges to enhance its technological capability and comprehensive strengths, participating in national projects, such as North and South Bisan Seto Bridges (5), Seikan Tunnel, Cirata Hydroelectric Power Station in Indonesia (10) and Djibouti Palace Kempinski Hotel (11).

1960 Opened Research Institute (currently Technology Center)

1962 Completed Hotel Indonesia (Taisei's first postwar overseas construction) (9)

Enhanced Comprehensive Strengths through Realignment of Group Companies

Overlaps and competition in business among Group companies were eliminated to increase business efficiency.

2008 Spun out the housing business division as Taisei Housing Corporation

2009 Turned Taisei Rotec Corporation, a major subsidiary, into a wholly owned subsidiary

2010 Turned Yuraku Real Estate Co., Ltd. (currently Taisei-Yuraku Real Estate Co., Ltd.) into a wholly owned subsidiary

2011–Present

Promoting technological innovation to respond to social changes and their incidental challenges, with the aim of creating future values

To the International Stage

In 2013, Taisei Corporation completed constructing the Bosphorus Strait Crossing Railway Tunnel in Istanbul, which connects European and Asia via railroad tunnels (12). The installation of a tunnel on the 60-meter deep bottom of the sea, a world-record depth for a submerged tunnel, was very challenging work. Nevertheless, we finally realized the Turkish people's long-cherished dream with our collective best technologies. In addition, our long list of achievements in the construction of domestic and international airports was acknowledged in the world, and this brought us orders for New Doha International Airport Terminal Building in Qatar (13) and No. 2 Terminal Building Noi Bai International Airport, a construction of the largest scale in North Vietnam (14). As such, we are accelerating our efforts in overseas infrastructure projects.

Environmental Consideration, Creating a Resilient Future

In 2014, we completed The Otemachi Tower (7), a redevelopment project for nature restoration by the "pre-forest" method of replanting trees that were grown at a different site, realizing an open ceiling space from the underground to the ground with use of ultrahigh strength concrete. In the same year, aiming for an urban office ZEB (a acronym for Net Zero Energy Building), we built ZEB Demonstration Building on the premises of the Taisei Corporation Technology Center. This gave us momentum to push forward with ZEB (see p.35). In 2019, we completed the New Head Office Building of Kinki Sangyo Credit Union (8), actualizing ZEB in an urban high-rise building. We aspire to create future values by proactively responding to environmental issues and making full use of disaster prevention/reduction technologies.

Taisei Group's Now/Present

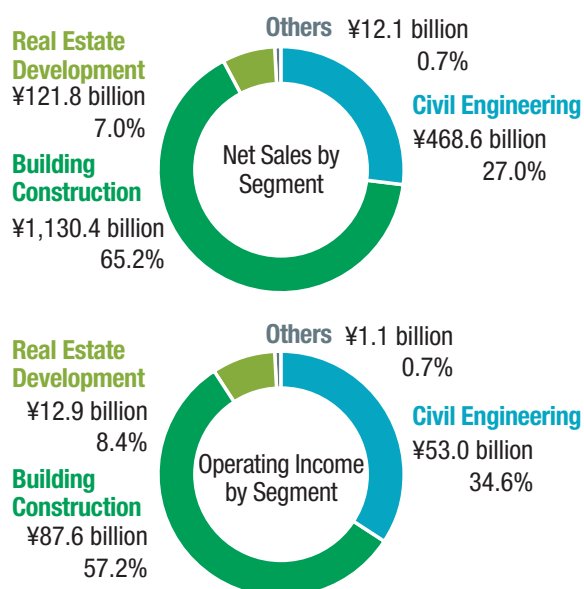
Using its high-level technology developed over many years, the Taisei Group operates various businesses centered on Civil Engineering, Building Construction, and Real Estate Development. It contributes to the sustainable development of society through building safe and comfortable living environments and aims to improve its corporate value across the Group.

Civil Engineering

Through the construction of facilities and structures that support people's lives and industries and accord with the environment, we work for social capital improvements. In recent years, we have built our own CIM system in which ICT and 3D data are integrated in an effort to improve the quality and productivity of construction at a number of civil engineering sites.

[p.39 Business Section: Civil Engineering Division](#)

Composition by Segment



● Net sales and operating income include intersegment transaction.
Composition percentages are figures calculated from simple sum totals.

Building Construction

By accommodating various needs for R&D activities and engineering technologies to deal with environmental and energy issues, improved antiseismic and disaster prevention systems for business continuity purposes in case of disaster, etc., we provide safe, secure, and comfortable environments and highly convenient buildings. We have been involved in a number of constructions that symbolize an era, inside and outside Japan.

[p.41 Business Section: Building Construction Division](#)

Real Estate Development

We study buildings comprehensively throughout their entire life cycle and build an optimized consensus in order to support the promotion of large development projects, and actively engage in projects as a developer. Our efforts help improve not only the efficiency of public works and services, but also public finances.

[p.43 Business Section: Real Estate Development Division](#)

FY2018 Data

| | |
|--|------------------|
| Orders received | ¥1,693.8 billion |
| Net sales | ¥1,650.8 billion |
| Operating income | ¥153.3 billion |
| Net income attributable to owners of parent | ¥157.9 billion |
| Net assets | ¥722.3 billion |
| Return on equity (ROE) | 16.2% |
| Number of personnel (including Non-Japanese) | 14,433 |
| Male | 11,906 |
| Female | 2,527 |

(As of March 31, 2019)

Others

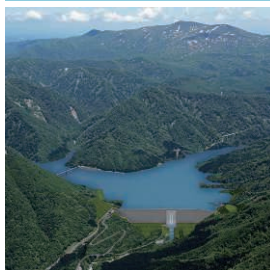
Main Domestic Subsidiaries

- TAISEI ROTEC CORPORATION (Pavement and civil engineering)
- Taisei-Yuraku Real Estate Co., Ltd. (Real estate development, facility management, etc.)
- TAISEI U-LEC CO., LTD. (Planning, design, and construction of housing complexes)
- TAISEI SETSUBI CO., LTD. (Air conditioning, sanitation, electrical equipment, and interior finishing)
- TAISEI HOUSING CORPORATION (Design, construction, and sales of order-made individual housing)
- SEIWA RENEWAL WORKS CO., LTD. (Civil engineering, renewal work, production and sales of construction machinery, etc.)

Lines of Business

Tunnels, bridges, roads, and dams, and Decontamination, maintenance preservation, and builds social infrastructure

Domestic



Naruse Dam Quarry Work
(1st Period) (Ogachi-gun, Akita)



Construction Work of the Shinmeishin Expressway Ikuno-ohashi Bridge (PC upper part Work) (Kobe-shi, Hyogo)

International



Construction on phase one of the North-South Commuter Railway project (Manila)
(see p.18)

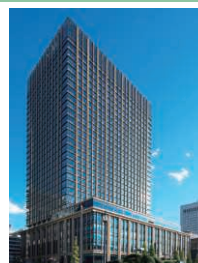
Lines of Business

Airports, office buildings, commercial facilities, factories, and hospitals, the housing business, Renovation and demolition and research and development and engineering technologies

Domestic



Tokyo Electron Technology Solutions
New Construction of new building of Tohoku Branch Office (Oshu-shi, Iwate)



New Construction of Marunouchi Niju-Bashi Building (Chiyoda-ku, Tokyo)

International



New Construction of Yoma Central Project (Myanmar)
Note: The low-rise building located in the foreground is not related to this project.

Lines of Business

Redevelopment, PFI, property management, and condominium sales projects

Domestic



New Construction of Toranomon 2-Chome District Project (Minato-ku, Tokyo)



Construction Work of Omiya ward office (Saitama-shi, Saitama)

International



Construction Work of Roygent Parks Hanoi (Vietnam)

Lines of Business

Contract research, technology provision, and environmental measurements

Overseas Business Offices

- Taipei Office
- Middle East Office (Doha)
- Singapore Office
- Kuala Lumpur Office
- Jakarta Office
- India Office
- Pakistan Office

- Vietnam Office (Hanoi/Hochiminh City)
- Thailand Office
- Philippine Office
- Myanmar Office
- Sri Lanka Office
- North Africa Office
- Istanbul Office



Overseas Subsidiaries / Affiliated Companies

- PT. Taisei PULAUINTAN Construction International (Indonesia)
- TAISEI (THAILAND) CO., LTD.
- VINATA INTERNATIONAL CO., LTD (Hanoi/Hochiminh City)
- CSCC-TAISEI CONSTRUCTION, LTD (Beijing)
- TAISEI PHILIPPINE CONSTRUCTION INCORPORATED
- PT. INDOTASEI INDAH DEVELOPMENT (Indonesia)
- TAISEI MYANMAR CO., LTD. (Myanmar)

11-Year Financial and Non-Financial Summary

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2009 through 2019

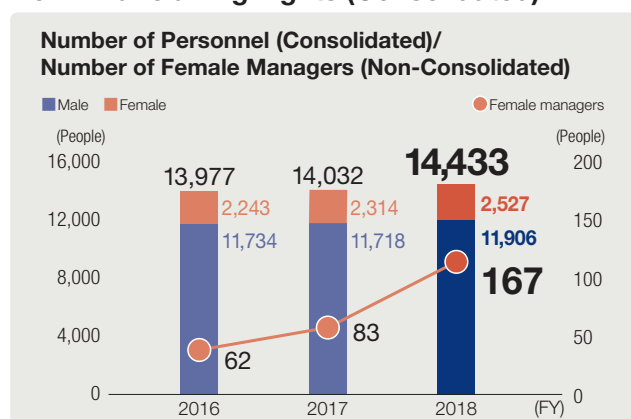
Financial Highlights (Consolidated)

| | Millions of Yen (except for per share figures) | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | March 31, 2009 | March 31, 2010 | March 31, 2011 | March 31, 2012 | March 31, 2013 |
| Revenue: | | | | | |
| Net sales: | | | | | |
| Construction contracts | ¥ 1,467,070 | ¥ 1,289,809 | ¥ 1,079,139 | ¥ 1,171,927 | ¥ 1,254,291 |
| Real estate development and other | 174,112 | 152,166 | 138,980 | 151,577 | 162,205 |
| Total | 1,641,182 | 1,441,975 | 1,218,119 | 1,323,504 | 1,416,496 |
| % change from previous year | (4.1)% | (12.1)% | (15.5)% | 8.7% | 7.0% |
| Costs and expenses: | | | | | |
| Cost of sales | 1,545,918 | 1,318,593 | 1,100,022 | 1,206,014 | 1,304,677 |
| Selling, general and administrative expenses | 95,920 | 87,755 | 81,803 | 81,004 | 76,213 |
| Total | 1,641,838 | 1,406,348 | 1,181,825 | 1,287,018 | 1,380,890 |
| Operating income (loss) | (656) | 35,627 | 36,294 | 36,486 | 35,606 |
| Income (loss) before income taxes | (38,449) | 35,516 | 19,374 | 16,673 | 32,828 |
| Income taxes | (9,404) | 14,462 | 8,514 | 15,480 | 12,399 |
| Net income (loss) attributable to owners of parent | ¥ (24,401) | ¥ 21,222 | ¥ 10,883 | ¥ 1,181 | ¥ 20,051 |
| Per share data of common stock (in yen and dollars): | | | | | |
| Net assets | ¥ 239.87 | ¥ 262.15 | ¥ 253.94 | ¥ 255.60 | ¥ 299.84 |
| Net income (loss) attributable to owners of parent | (22.93) | 19.74 | 9.58 | 1.04 | 17.60 |
| Cash dividends | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Financial ratios: | | | | | |
| Net income (loss) attributable to owners of parent as a percentage of total revenue | (1.5)% | 1.5% | 0.9% | 0.1% | 1.4% |
| Total costs and expenses as a percentage of total revenue | 100.0% | 97.5% | 97.0% | 97.2% | 97.5% |
| Dividends paid as a percentage of net income | —% | 25.3% | 52.2% | 482.3% | 28.4% |
| Financial position data: | | | | | |
| Current assets | ¥ 1,082,037 | ¥ 912,895 | ¥ 847,467 | ¥ 982,931 | ¥ 1,012,639 |
| Current liabilities | 1,074,229 | 894,026 | 808,052 | 921,196 | 907,281 |
| Net property, plant and equipment | 236,705 | 238,534 | 232,000 | 212,639 | 206,076 |
| Long-term liabilities | 248,400 | 250,083 | 235,607 | 219,101 | 292,514 |
| Shareholders' equity | 252,905 | 274,779 | 290,282 | 284,714 | 299,336 |
| Net assets | 284,713 | 297,179 | 290,598 | 292,602 | 343,300 |
| Other data: | | | | | |
| New orders received during the year | ¥ 1,524,578 | ¥ 1,244,439 | ¥ 1,254,095 | ¥ 1,379,572 | ¥ 1,404,407 |
| Contract backlog at the end of year | 1,768,950 | 1,571,414 | 1,607,390 | 1,663,459 | 1,651,370 |
| Shares issued (thousands) | 1,064,803 | 1,090,622 | 1,140,269 | 1,140,269 | 1,140,269 |

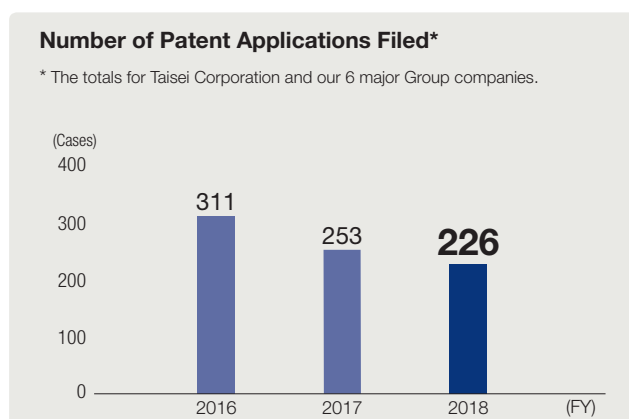
*1 U.S. dollar amounts were translated from yen, for convenience only, at the rate of U.S. \$1 = ¥110.99

*2 The net assets per share and the net income per share are calculated assuming that the consolidation of shares took place at the beginning of the year, because the consolidation of shares, at the ratio of 1 share for 5 shares, was implemented on October 1, 2017.

Non-Financial Highlights (Consolidated)



The Taisei Group is promoting diversity in management positions and expanding the range of women's work to facilitate strategies and technological development that incorporate diverse values.



By visiting construction sites and other means, we are researching technologies that can be patented and obtaining rights, and we aim to ensure high-quality applications and obtain a wide range of rights.

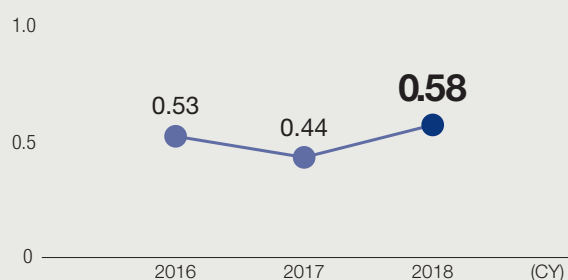
| Millions of Yen (except for per share figures) | | | | | | Thousands of U.S. Dollars*1 (except for per share figures) |
|---|----------------|----------------|----------------|----------------|----------------|---|
| March 31, 2014 | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 | March 31, 2019 |
| ¥ 1,321,289 | ¥ 1,404,530 | ¥ 1,394,677 | ¥ 1,342,455 | ¥ 1,445,277 | ¥ 1,511,724 | \$ 13,620,362 |
| 212,184 | 168,740 | 151,212 | 144,798 | 140,221 | 139,154 | 1,253,753 |
| 1,533,473 | 1,573,270 | 1,545,889 | 1,487,253 | 1,585,498 | 1,650,878 | 14,874,115 |
| 8.3% | 2.6% | (1.7%) | (3.8%) | 6.6% | 4.1% | |
| 1,402,446 | 1,425,295 | 1,348,302 | 1,260,968 | 1,318,880 | 1,409,418 | 12,698,604 |
| 77,254 | 77,558 | 80,119 | 85,462 | 84,758 | 88,136 | 794,089 |
| 1,479,700 | 1,502,853 | 1,428,421 | 1,346,430 | 1,403,638 | 1,497,554 | 13,492,693 |
| 53,773 | 70,417 | 117,468 | 140,823 | 181,860 | 153,324 | 1,381,422 |
| 46,593 | 66,980 | 117,797 | 135,190 | 182,297 | 160,777 | 1,448,572 |
| 14,120 | 28,755 | 40,996 | 44,793 | 55,508 | 48,075 | 433,147 |
| ¥ 32,089 | ¥ 38,177 | ¥ 77,045 | ¥ 90,566 | ¥ 126,788 | ¥ 112,572 | \$ 1,014,254 |
| ¥ 335.42 | ¥ 418.61 | ¥ 442.67 | ¥ 2,483.01 | ¥ 2,975.02*2 | ¥ 3,302.86 | \$ 29.76 |
| 28.17 | 33.52 | 65.85 | 392.87 | 561.36*2 | 511.90 | 4.61 |
| 6.00 | 8.00 | 16.00 | 20.00 | 85.00*3 | 130.00 | 1.17 |
| 2.1% | 2.4% | 5.0% | 6.1% | 8.0% | 6.8% | |
| 96.5% | 95.5% | 92.4% | 90.5% | 88.5% | 90.7% | |
| 21.3% | 23.9% | 24.3% | 25.5% | 22.3% | 25.4% | |
| ¥ 1,076,213 | ¥ 1,136,497 | ¥ 1,112,305 | ¥ 1,223,572 | ¥ 1,327,487*4 | ¥ 1,200,437 | \$ 10,815,722 |
| 946,097 | 984,762 | 927,777 | 986,994 | 1,022,626 | 924,791 | 8,332,201 |
| 181,051 | 169,973 | 177,529 | 175,983 | 188,397 | 219,745 | 1,979,863 |
| 268,802 | 258,373 | 211,767 | 202,271 | 218,952*4 | 198,995 | 1,792,909 |
| 327,067 | 370,140 | 437,533 | 485,396 | 563,913 | 610,565 | 5,501,081 |
| 384,166 | 492,114 | 521,278 | 570,814 | 669,020 | 722,390 | 6,508,605 |
| ¥ 1,645,896 | ¥ 1,765,743 | ¥ 1,671,061 | ¥ 1,655,036 | ¥ 1,743,498 | ¥ 1,693,859 | \$ 15,261,366 |
| 1,763,793 | 1,956,266 | 2,081,438 | 2,249,221 | 2,407,221 | 2,450,202 | 22,075,881 |
| 1,140,269 | 1,171,269 | 1,171,269 | 1,146,753 | 224,541 | 224,541 | |

*3 Total annual dividends per share as of March 31, 2018 is ¥ 85.00, which is the sum of the interim dividend per share of ¥ 10.00 and the year-end dividend per share of ¥ 75.00. Due to the consolidation of shares at the ratio of 1 share for 5 shares implemented on October 1, 2017, the year-end dividend per share of ¥ 75.00 reflects this consolidation, while the interim dividend per share of ¥ 10.00 does not. If the interim dividend per share is calculated based on the consolidation of shares, it would be ¥ 50.00, making the total annual dividends per share ¥ 125.00.

*4 Effective from the year ended March 31, 2019, the Group retrospectively applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The Group applied this change retrospectively and restarted the 11-Year Summary from the year ended March 31, 2018, accordingly.

Frequency Rates*1

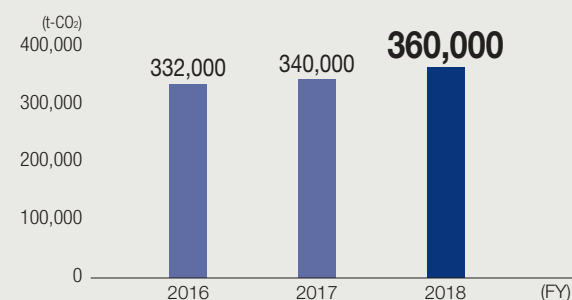
*1 The totals for Taisei Corporation and our 6 major Group companies.



The Frequent rates are the number of fatalities and injuries at worksites per one million cumulative working hours, which represents the frequency of occurrence of occupational accidents. We are implementing a range of measures to prevent accidents and disasters.

Total CO₂ Emissions*2

*2 The totals for Taisei Corporation and our 7 major Group companies.



We are working to reduce CO₂ emissions to contribute to the reduction of climate change, which is a risk for the construction business.

Toward Medium- to Long-term Value Creation

The Taisei Group strives to maximize the value created through dialogue with stakeholders, and aims to achieve sustainable development together with society by proactively getting involved in social challenges which the Group needs to resolve through its businesses.

Materiality refers to an important task to be addressed by the Taisei Group. It is considered to connect global tasks, such as SDGs, and the Taisei Group's structure of values and policies.



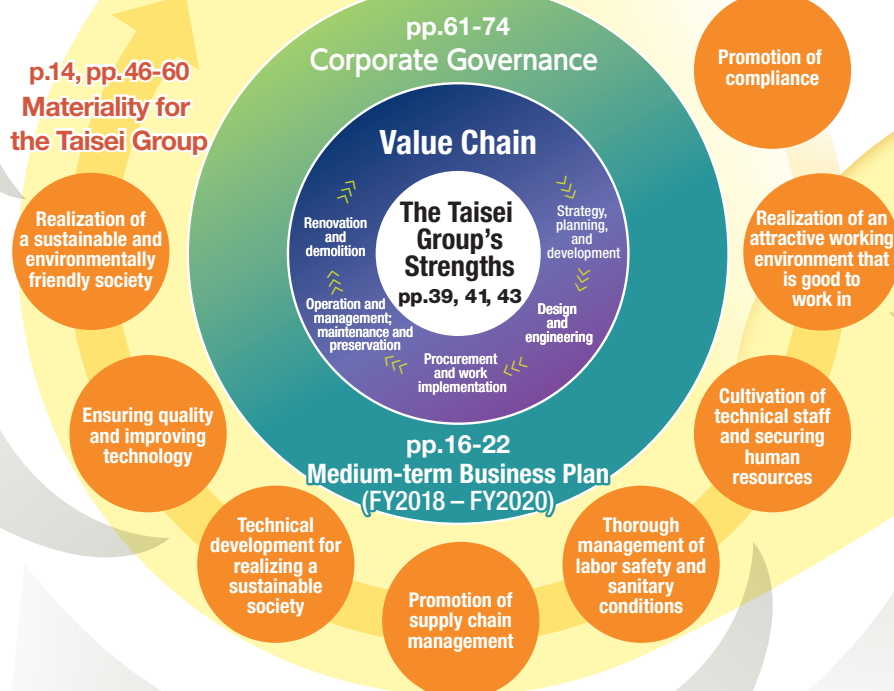
p.14 Changes in External Environment/Risks and Opportunities

Climate changes, increasing energy demand, growing world population, aging society, aging infrastructure, decreasing productive-age population in Japan

p.15 Creating Value through Dialogue with Stakeholders



Taisei Group Philosophy “To Create a Vibrant Environment for All Members of Society”



Strategy for Sustainable Growth

Recognition of the Business Environment (Risks and Opportunities)

After the Tokyo 2020 Olympics and Paralympics Games are held, it is anticipated that we will face the risk of a sharp decline in construction demand and a recurrence of a period of severe shakeout. The following table summarizes our forecasts of the business environment after 2020 in terms of risks and opportunities.

| | | Present | 2020 Onwards |
|--------------------|--------------------------|---|--|
| Market environment | Public works | <ul style="list-style-type: none"> Measures against aging of social infrastructure and infrastructure development to strengthen international competitiveness are urgent tasks Expansion of the scope of general contractors' business as a result of spread of concessions | <ul style="list-style-type: none"> As a result of continuation of infrastructure development, a constant level of public works investment will be maintained Important public works infrastructure concession projects will become established as part of the general contractor business segment |
| | Private sector | <ul style="list-style-type: none"> A high level of work contract volume will continue up to 2020 Projects will materialize from 2020 onwards | <ul style="list-style-type: none"> Although there is much latent demand, such as urban redevelopment, research and production facilities, renewal of buildings from the period of high economic growth rate, etc., the sense of lack of clarity in the long term cannot be brushed away |
| | Overseas | <ul style="list-style-type: none"> Strong construction investment in newly developing countries Accelerating overseas penetration by Japanese developers Large-scale exports of infrastructure led by government | <ul style="list-style-type: none"> Overall expansion of the construction market overseas The Japanese growth strategy of infrastructure exports continues |
| Worldwide Trends | Work style reform | <ul style="list-style-type: none"> Dealing corrections of long working hours Work style reform and shortages of staff will be factors for productivity improvement and optimization of tender prices | <ul style="list-style-type: none"> The amended Labor Standards Act will also apply to the construction industry The result of work style reform will affect the growth of company |
| | Productivity improvement | <ul style="list-style-type: none"> Development of technologies to contribute to productivity improvement is an urgent task Activities are required with specialist contractors | <ul style="list-style-type: none"> Staff shortages actualize, and productivity improvements, and ensuring supply capability will have a great effect on the growth of company |
| | Competitive trends | <ul style="list-style-type: none"> Moves to strengthen and expand business areas other than the domestic construction industry (overseas, energy, real estate, etc.) Start of competition for introduction of advanced technology | <ul style="list-style-type: none"> The strategy for growth by specialization of each company will become clear There will be increasing importance of accumulation of technical capability and know how in response to diversifying and advanced customer needs Potential for unexpected new participants (high tech, IT related, ventures, etc.) |

Important ESG Tasks for the Taisei Group (Materiality) and Impact on Corporate Activities

On the basis of social challenges such as SDGs and by referring to experts' opinions, we have identified eight materiality that are particularly important and to be dealt with by the Taisei Group, in terms of their importance for society and for management of the Taisei Group.

| ESG | Materialities | Negative Impacts | Positive Impacts |
|-------------|--|---|---|
| Environment | Realization of a sustainable and environmentally friendly society | <ul style="list-style-type: none"> Deterioration of creditworthiness and loss of opportunities to receive orders due to violation of environmental laws and regulations or environmental accidents. Increased costs due to construction suspensions or delays resulting from shortages of raw materials or electricity to address climate change. | <ul style="list-style-type: none"> Increased opportunities to receive orders due to development and practical application of environmental technologies. Market expansion due to reinforcement of infrastructure to address climate change. |
| Social | Ensuring quality and improving technology | <ul style="list-style-type: none"> Interruption or suspension of business, loss of opportunities to receive orders, or financial loss due to the occurrence of quality defects. | <ul style="list-style-type: none"> Continuing business and creation of business opportunities through cooperation and building trusting relationships with customers. |
| | Technical development for realizing a sustainable society | <ul style="list-style-type: none"> Decline in market competitiveness and financial loss due to fewer application track records for development of new proprietary technology. | <ul style="list-style-type: none"> Contribute to solving social issues by improving technological capability through business and increase market competitiveness. |
| | Promotion of supply chain management | <ul style="list-style-type: none"> Suspension of raw material supply due to occurrence of procurement risks. Decline in reputation owing to occurrence of human rights risks. | <ul style="list-style-type: none"> Sustainable supply of raw materials due to procurement risk management. Improved competitiveness as a result of securing good-quality cooperating companies. |
| | Thorough management of labor safety and sanitary conditions | <ul style="list-style-type: none"> Decline in customer trust due to occurrence of fatal accidents. Lower productivity due to occurrence of work-related accidents. | <ul style="list-style-type: none"> Maintenance of reputation by preventing fatal accidents. Improved productivity as a result of achieving a safe workplace environment. |
| | Cultivation of technical staff and securing human resources | <ul style="list-style-type: none"> Lower market competitiveness due to decline in customer trust. Decline in organizational capabilities and loyalty of personnel due to insufficient human resources development and lack of diversity. | <ul style="list-style-type: none"> Reinforcement of technological capabilities and human resources development through customer needs. Increased organizational capabilities and loyalty of personnel by fostering excellent and diverse human resources. |
| Governance | Realization of an attractive working environment that is good to work in | <ul style="list-style-type: none"> Decline in reputation owing to occurrence of human rights risks. Difficulty in recruitment activities due to a decline in reputation. | <ul style="list-style-type: none"> Deterioration of reputation due to decline in trust from personnel. Maintenance of reputation by preventing human rights risks. |
| | Promotion of compliance | <ul style="list-style-type: none"> Interruption or suspension of business due to information security accidents. Decline in reputation due to occurrence of human rights or corruption risks. Interruption or suspension of business, or loss of opportunities to receive orders, due to disregard for compliance. | <ul style="list-style-type: none"> Maintenance of competitiveness through appropriate information management. Continuation of business and creation of business opportunities through appropriate risk management. Maintenance and enhancement of corporate value through reinforcement of global compliance system. |

Strategy for Sustainable Growth

Communication with Stakeholders

We are striving to increase corporate value through dialogues with various stakeholders.

| Stakeholders | Taisei Group: Responsibility and Approach |
|--|--|
| Customers | <ul style="list-style-type: none"> We have established our Quality Policy, Health and Safety Policy, and Policy on Business Continuity in Times of Disaster in an effort to provide good-quality, safe and secure construction products, support for business continuity at times of disaster, and related services. We strive to provide value-added solutions with an understanding of increasingly diverse and complex needs and expectations of customers. We listen to various opinions and requests through customer satisfaction surveys and take advantage of them to improve quality and increase productivity. |
| Shareholders/ Investors | <ul style="list-style-type: none"> We have established our Fundamental Corporate Governance Policy, Information Disclosure Policy, and IR Policy. We strive to return profits properly, disclose corporate information in a timely and appropriate manner, and practice corporate governance and internal control properly, in an effort to have meaningful dialogues with shareholders at General Meetings of Shareholders. We strive to promote constructive dialogue via the President explaining our performance and management strategy as well as holding question-and-answer sessions at results briefings and meetings with overseas institutional investors. |
| Suppliers | <ul style="list-style-type: none"> We have established our Procurement Policy in an effort to promote partnerships through fair and impartial transactions, aiming to mutually raise the level of efforts on quality, compliance and respect for human rights. In coordination with Soyukai/Health, Safety and Environment Cooperation Association, comprising specialized contractors (cooperating companies) across Japan, we make efforts to eliminate work-related accidents at workplaces, prevent health problems and environmental accidents, and promote environmental conservation activities. |
| Employees | <ul style="list-style-type: none"> We have established our Values and Policies and strive to spread and embed them further among employees through training. In addition, we have established our Human Rights Policy in an effort to realize a pleasant workplace where employees' human rights and diversity are respected. We comply with labor-related laws and regulations, give due consideration to workplace health and safety, and have established an EAP, various consultation desks for matters including nursing care, a 'Corporate ethics helpline' and 'Group helpline' to handle issues such as discrimination and harassment. We hold regular consultation with the employees' union regarding the workplace environment and labor conditions, while also conducting personnel satisfaction surveys biennially. |
| Local communities International society Global environment | <ul style="list-style-type: none"> We have established our Social Contribution Policy, Environmental Policy, and Declaration of Biodiversity Preservation, and strive to create good relationships with local residents while promoting environmental management activities. In addition to the Taisei Corporation Public Trust of Funds for Natural and Historic Environments, an organization for supporting projects for the preservation of the natural environment, and the Taisei Foundation, which subsidizes research and development in new technical fields, we strive to spread construction culture by cooperating in the exhibition of architecture and paintings by Le Corbusier. We strive to help resolve social issues through actions based on signing (participating in) the United Nations Global Compact and giving support for various global initiatives such as SDGs (Sustainable Development Goals). |

Participation in Initiatives

The Taisei Group signed (participated in) the United Nations Global Compact in 2018 and, as a member corporation, will contribute to the resolution of global issues such as SDGs (Sustainable Development Goals).

United Nations Global Compact



Taisei corporation became a full member of the United Nations Global Compact in April 2018. We are respecting the 10 principles in the areas of human rights, labour, the environment and anti-corruption of the UN Global Compact.

Sustainable Development Goals



Medium-term Business Plan (FY2018–FY2020)

[Basic Policies]

To establish the foundation for growth with the construction business at the core

Summary of Basic Policies

- Sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market
- Investment for growth will be carried out in order to expand added value and opportunities for revenue in the construction and peripheral businesses both in Japan and overseas, to construct the basis for sustainable growth in the Taisei Group
- As a leader in the construction industry we will set an example by the public and private sectors of unified initiatives for work style reform and productivity improvement for growth in the construction industry
- We re-acknowledge that improving customer satisfaction by ensuring safety and quality is a major precondition for companies to be selected by customers, and is a source of growth

[Management Tasks]

| | |
|---|--|
| 1 Sustainable growth of overseas business >>> p.18 | 4 Realizing an attractive working environment (work style reform) — “TAISEI Lively Plan” — >>> p.60 |
| 2 Strategic input of management resources into target fields >>> p.19 | 5 Pursuit of safety and quality — “TAISEI QUALITY” — >>> p.55 |
| 3 Innovative construction production systems (productivity improvement) — “TAISEI i-Innovation” — >>> p.37 | 6 Strengthening management infrastructure >>> p.61 |

[Management Numerical Targets]

- We will **simultaneously uphold the highest standards of safety and quality, while providing customer satisfaction and ensuring the Company's performance**, even during the extremely busy period approaching 2020.

FY2020 targets (Consolidated)

| | | | |
|------------------|----------------|----------------------------|--|
| Net sales | ¥1,870 billion | Dividend payout ratio | About 25% |
| Operating income | ¥187 billion | Interest-bearing debt | Less than ¥300 billion |
| Net income | ¥130 billion | Net interest-bearing debt* | (Maintain permanent state of effectively debt-free management) |
| ROE | 12% or more | Capital-to-asset ratio | 40% or more |

*Net interest-bearing debt = Interest-bearing debt – Cash and time deposits

- In order to achieve sustainable growth in the uncertain market conditions after the 2020 Olympics and Paralympics, **we aim to expand our business scale to ¥2.0 trillion as our medium- and long-term target.**
- In light of the business environment at home and overseas from 2020 onward, **we will strengthen our efforts in overseas markets where growth is expected.**
- **We will improve production capability** by increasing productivity and workforce, **and will accelerate growth in target fields** by making alliances, having open innovation, etc.
- We will implement measures to achieve **a business scale of ¥2.0 trillion** under the Medium-term Business Plan (FY2018–FY2020), while taking account of the balance of main business segments* including overseas projects and the approaches such as project investments and M&A deals.

*Main business segments: 1. Domestic construction projects 2. Overseas construction projects 3. Development and real estate projects 4. Construction peripheral businesses 5. Group companies

Strategy for Sustainable Growth

Investment Strategy and Human Resource Strategy

Investment for Growth

In order to construct the business foundation to enable sustainable growth from 2020 onwards, we aim to increase the added value in the construction and peripheral businesses and to expand opportunities for revenue.

| <Funds> | | <Applications> | |
|---|--|--|--|
| Newly earned cash during the new Medium-term Business Plan Accumulated to date Cash on hand | | Return to shareholders Investment for growth Sustainable growth and accelerated growth | |
| Investment for sustainable growth and accelerated growth | | Total ¥300 billion | |
| ● Strengthening overseas business and targeted fields* | | ¥150 billion | |
| ● Investment in technical development | | ¥60 billion | |
| ● Investment in work style reform and productivity improvement | | ¥60 billion | |
| ● Investment in human resources, development of infrastructure, etc. | | ¥30 billion | |

*Target fields: Energy and environment, urban development and PPP, renewal, engineering (see p.19)

Targets for Work Style Reform and Productivity Improvement

In order to respond to the social demand for correction of long working hours and the legal system, (standalone) targets will be set in stages for work style reform and productivity improvement.

| <Work Style Reform> *In accordance with the roadmap for correction of long working hours of 2024 —TAISEI Lively Plan — | | | |
|--|--|---|---|
| | FY2018 | FY2019 | FY2020 |
| Health management Overtime | 0 persons 100 hours or more per month | Average 80 hours or less per month | Continue average 80 hours or less per month (Preparation time for average 70 hours or less per month) |
| Rest days + time off in lieu | Target for all employees 8 rest days per 4 weeks (rest days + time off in lieu) 104 days or more per annum | | |
| Closure of work sites | Work towards uniformly closing sites on Saturdays (2nd Saturday of every month is closed day) | Realization of 6 closed days every 4 weeks for all work sites (excluding sites for which application is difficult) | Work towards realizing 8 closed days every 4 weeks for all work sites by 2021 (excluding sites for which application is difficult) |

*For the results for FY2018, see p.59 "Initiatives to Correct Long Working Hours."

| <Productivity Improvement> | | |
|---|--|---|
| FY2016 Productivity <ul style="list-style-type: none"> ● Transformation of awareness ● Technical development ● Reduction in work ● Utilization of temporary staff ● Promotion of client understanding, etc. | Medium-term Business Plan (FY2018–FY2020) Productivity during this period 10%UP (compared with FY2016) | Target for FY2025 20%UP (compared with FY2016) |

*For the results for FY2018, see KPIs on p.55 "Ensuring Quality and Technical Improvement."

Priority Measures for Management Issues

1. Sustainable Growth of Overseas Business

Sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market.

(1) Sustainable growth of overseas business

(2) Conversion to a corporate structure that is genuinely suitable for the overseas market

- Explore and expand traditional areas and expand project areas in countries that we have already advanced into
- Explore infrastructure export projects and STEP projects*1, cultivate new markets/areas such as entry into PPP*2 and concession projects
- Enhance construction capability and price competitiveness through the promotion of alliances with global contractors and local partners
- Develop overseas staff by expanding the studying and training abroad programs and by hiring global and local human resources actively

*1 STEP projects: Stands for Special Terms for Economic Partnership, translated into Japanese as "honpogijyutsukatsuyojoken" (terms and conditions on the use of Japanese technologies), a program introduced in July 2002 for the purpose of promoting "aid/support that shows the face" of Japan by using brilliant Japanese technologies and know-how in the transfer of technology to developing countries.

*2 PPP: Stands for Public Private Partnership, translated into Japanese as "kanminrenkei" (private-public initiative) or "kanminkyodo" (government-private sector cooperation), a form of providing efficient and high-quality public services in which public services previously provided by the national government or local municipalities are opened up to the private sector and operated under private-public cooperation.

We aim to increase revenue by taking on further challenges in Official Development Assistance projects as well as large-scale private investment projects, focusing on countries and regions where we have construction experience, such as Southeast Asian countries, Taiwan and Southwest Asia, and by establishing a framework of consortiums with globally active local general contractors for the completion of projects. To expand the size, we also aim for a revenue increase in the overseas building construction business through our investment in development as well as alliances including merger and acquisitions.

Topics

■ Participation in an 'All Japan' Airline Infrastructure Export Project

—Designer and constructor for expansion work of Palau International Airport—

- Taisei Corporation participates as a designer and constructor for the renovation of existing terminal facilities and the construction of new terminal facilities under the Expansion, Renovation and Operation areas of the Palau International Airport Project.
- This Project is an 'All Japan' airline infrastructure project that involves JICA's overseas investment as well as airport management operations by Sojitz Corporation, Japan Airport Terminal Co., Ltd., and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development.
- The number of passengers utilizing the airport increased due to a rise in the number of tourists to Palau. Expanding the airport facilities is intended to reduce congestion and improve convenience. We will contribute to economic development through the development of the tourist industry, a core industry in Palau.



Perspective drawing

■ Promoting an ODA Project, Helping to Alleviate Traffic Congestion in the Philippines

—Won CP01 construction area under the Philippines North-South Commuter Railway Extension Project—

- We received an order from the contractee, the Philippines' Department of Transportation (DOTr), for CP01 construction area (approximately 21 km) of a total extension of approximately 38 km) under the North-South Commuter Railway Project (between Tutuban, Manila and Malolos, Bulacan) being undertaken in the Philippines.
- The population has surged in Metro Manila and its suburbs with rapid economic development in the Philippines. As traffic congestion is getting worse due to the higher population density, improving transportation infrastructure has become an urgent issue.
- This construction work is a project implemented by the Japanese government's Official Development Assistance with the aim of resolving the issue described above. Taisei Corporation will organize a consortium with D.M. Consunji Inc. (DMCI), a local major general contractor, and construct elevated viaduct structures, six stations and a depot, among other facilities in the area between Metro Manila to Bocaue, Bulacan in the Northern Philippines.
- Leveraging in this project the know-how and experience cultivated through many construction works of railway facilities we conducted in the past, we will provide our technological capabilities for the alleviation of traffic congestion in Metro Manila and the expansion of the commutable area.



Perspective drawing

Strategy for Sustainable Growth

■ Priority Measures for Management Issues

2. Strategic Input of Management Resources into Target Fields

Promotion of higher added value Taisei global business and expansion of opportunities for revenue by deploying management resources (human resources, funds) in the target fields and on technologies for differentiation, from a viewpoint on the medium- and long-term business environment from 2020 onwards.

(1) Bringing higher added value to target fields where our core strengths can be exhibited

1 Energy and Environment

- Strengthening the competitiveness to win orders through participation in energy management projects (EM) and energy supply projects (ESP) in the ZEB/Smart communication field Strengthening the competitiveness to win orders by constructing design and construction systems in the fields of thermal power and renewable energy >>> p.35 Special Feature 3-(2) >>> p.49 Environment
- Support for winning orders through environment-related evaluation technologies and soil decontamination technologies, etc.

We newly established the Energy Division in October 2018. In addition to entry into the businesses of offshore wind and other renewable energy power generation as well as energy saving management and operation for buildings and cities, we will strengthen our technological competitiveness with ZEB, hydrogen utilization, and other technologies.

In the area of the environment, we are actively developing and proposing various environmental technologies that would increase our competitiveness over the medium to long term. This includes continuously providing support for receiving orders for projects involving the biodiversity-friendly planning and assessment technologies as well as anti-soil/groundwater pollution technologies and repository technologies, areas in which we are a pioneer company.

2 Renewal

- Strengthening of proposals and sales for renewal by utilizing the technologies we possess as well as new technologies
- Strengthening the renewal production system by technical development, improvement in procurement capability, etc.
- Promotion of winning orders for large-scale renewal and repair project of aged infrastructure (bridges, tunnels, etc.)

Being at a transition stage to a recycling-based society, we are expected to utilize high-quality stock. Renewal, which is a field in which the Taisei Group can demonstrate its technological strengths, is expected to grow over the medium to long term.

In the field of architecture, we will propose plans for increasing asset values by realizing a long service life for buildings through quake-resistance and energy saving assessments, while providing safe and secure buildings utilizing anti-quake and other technologies.

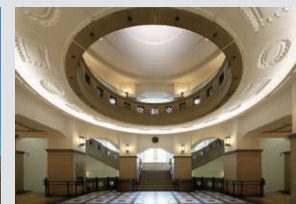
In the field of civil engineering, responding to rising demand for maintenance and repair, and upgrading of aging infrastructure, the Taisei Group as a whole, including the Technology Center and divisions of Taisei Corporation as well as TAISEI ROTEC CORPORATION and SEIWA RENEWAL WORKS Co., Ltd., will drive forward technological development and sales strategy.

Award

■ Renovation of Historical Structures — “Minato City Local History Museum” received the excellent earthquake-retrofitted building award of the Minister of Land, Infrastructure and Transportation —

Minato City Local History Museum, a compound facility that houses a Minato-ku local history museum, received the excellent earthquake-retrofitted building award of the Minister of Land, Infrastructure and Transportation under the excellent earthquake-retrofitted building commendation program created by the Ministry of Land, Infrastructure, Transport and Tourism with the aim of promoting earthquake-retrofitting for Japan's existing buildings and contributing to the formation of a healthy building stock.

Minato City Local History Museum is a public compound facility located in Shirokanedai, Minato-ku, Tokyo, completed in February 2018 after renovation through joint design/construction of the former building of the Institute of Public Health that was completed in 1938. In particular, the building was recognized for its quake resistance, disaster prevention and safety, and design excellence.



Common space centered on a round vaulted ceiling. Only handrails and supplementary lighting were added for safety measures, preserving the magnificent designs at the time of its establishment including the ceiling relief and handrail decoration.

3 Urban Development and PPP

- Strengthening the competitiveness to win orders by participation in large-scale private sector projects and PPP/PFI*³ projects, and steady promotion of large-scale redevelopment projects >>> **p.31 Special Feature 3(1)**
- Participation in important infrastructure concession projects, such as airports, etc. >>> **p.43 Real Estate Development**
- Strategic investments in in-house developments and promotion of building operation

The business model of winning orders through participation in large-scale redevelopment projects and large-scale private projects, which we have been working on, is currently the pillar of our building construction business. By participating in PPP/PFI projects, we strive to improve efficiency and services of public works projects while contributing to better public finance.

In addition, we will secure stable earnings in our real estate development business by stably operating the real estate we developed and holding good real estate properties for lease. In private-public initiatives, which are expected to grow further, we will boost our efforts for the airport concession business.

4 Engineering

- Expansion of business area won in the life sciences field, with pharmaceuticals as the core
- Promotion of upstream sales through consulting and feasibility study commissions
- Expansion of orders through proposals differentiated with labor-saving technologies utilizing the IoT, AI, etc.

We will expand areas in which we receive orders, having high competitiveness in the field of medicine as the core, and “life science” as the keyword. Going forward, there will be greater demand for introducing the IoT, AI, automation, labor saving and other cutting-edge technologies for increasing the efficiency of facility operation and in production/logistics processes. We are strengthening our new proposal capabilities such as for smart hospitals and smart factories that utilize these technologies. For example, we participated in the development project of iFactory (see the Topics below), a drug production facility, in April 2019.

In the field of engineering, we realize high-quality facilities that are in line with customer requests by driving consultation and conducting feasibility studies in various areas at the business planning stage, and developing activities in various fields for proper facility construction planning.

Topics

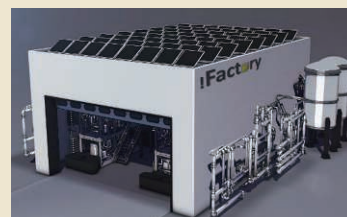
■ Contributed to On-Demand Production that Enables Flexible Changes to Production Quantity

Participant companies including Taisei Corporation are accelerating the development project of “iFactory,” a convenience-store-size* continuous production facility.

iFactory is a convenience-store-size continuous production facility that is linked to modular production equipment that combines the continuous synthesis method and batch synthesis method. In its cube-shaped frame, the modular production equipment iCube contains devices that enable unit operation such as “reaction,” “cleaning, changing replacing solvent,” “crystallization,” “filtration” and “drying.” By linking them with each other, a production line can be established easily.

Since a production line can be re-established by changing the types of units and the layout according to raw materials and production items, flexible and efficient on-demand production becomes possible, which also contributes to a significant reduction in CO₂ emissions.

*Compact and convenient size with various functions



Eight participants: Takasago International Corporation, Mitsubishi Tanabe Pharma Corporation, Konica Minolta Chemical Co., Ltd., Yokogawa Solution Service Corporation, TEC Project Services Corporation, Taisei Corporation, Shimadzu Corporation, and Mitsubishi Kakoki Kaisha, Ltd.

Strategy for Sustainable Growth

(2) Research and development into technologies leading to higher added value

- Development of construction technologies leading to differentiation
- Advanced planning technologies
- Promotion of technical developments by open innovation
- Further enhancement of the functions of facilities at the Technology Center by incorporating advanced technologies

It is important to develop the technologies which are related to our business domains to assure our competitiveness as well. By utilizing technological innovation such as AI and the IoT, we are promoting technological development that would create high added value.

Promote Open Innovation through “Co-Creation Sessions,” “Business Matching,” Etc.



To employ cutting-edge technologies for the businesses of our company, it is essential to promote not only our unique research and development but also open innovation (OI) such as partnership with companies in different industries, small-, mid-sized and venture companies.

We will keep driving OI activities through measures such as the “Co-creation Session” to search for new business opportunities by exchanging opinions with various companies and “Business Matching” to seek excellent technology that satisfies our business needs.

Start of the Operation of the Next-Generation Research and Development Block with an Open Laboratory to Promote Cooperation with Companies in Different Industries



The next-generation research and development building



Open laboratory

In September 2018, we completed establishing the next-generation research and development block with an open laboratory to promote cooperation with companies in different industries, and the block serves as the research and development base for the material and environment areas. It started operations in the following month. The facility was established by remodeling an existing one. It aims to obtain the certification of “Nearly ZEB (a facility that saves energy by 75% or more).” It adopts “T-Labo.® Next,” which is a system to control laboratory environment optimally, to centrally manage EHS (Environment, Health and Safety), the elements required for environment control of the next-generation laboratory. In this way, it achieves energy-saving while assuring the safety and health of the researchers who work at the facility. We will start deploying the system to other research facilities, both new and existing.

Topics

Linking Construction Machinery by Utilizing Transportable 5G Equipment

With “Odekake 5G,” portable equipment developed by SoftBank Corp., which provides a 5G service with high-quality radio waves locally, the Company succeeded in linking the T-iROBO series construction machine system with remote and automatic control functions, which we are currently developing (see p.37).

By utilizing 5G, which enables high-speed, low latency, large-capacity and stable communication, it becomes possible to confirm the status of a construction site remotely in real-time during construction, control construction machinery, and monitor safety, potentially reducing the manpower needed at construction sites in the future.

Creating “T-WOOD®Space,” the Largest Structure That Can Create a Space without Any Beams or Posts in Japan with Cross-laminated Timber (CLT)

At the Technology Center, we have established “T-WOOD®Space” (span 9.5m × height 9m × depth 42m), the largest structure that can create a space without any beams or posts in Japan with CLT panels made of Japanese cedar that can be sourced domestically. We used three large CLT panels (length 9m × width 2.45m × thickness 0.21m) to create a gate-shaped unit, and connected the units to create a huge space with a long depth. Since it is easy to assemble, it is possible to create a space with a beautiful design in a short construction period. The construction of this wooden structure was completed in nine days.

We will actively propose the use of T-WOOD®Space by emphasizing the property of a wooden structure for various buildings while considering the next possible target to develop a structure to make a larger space with a span of more than 12m, which will establish a new record.



Inside view of T-WOOD®Space

(3) Expansion of sales with an eye on the medium and long term

- Flexible response to new construction needs in response to changes in society such as low birth rate and high rate of aging
- Creation of business opportunities through alliances in different business areas, etc.
- Strengthening of sales for significantly aged facilities, etc.

Our challenges include how to appropriately cope with demand for the remodeling and abolishment of buildings due to aging and shrinking population and construction needs from the mid- and long-term perspective, such as by increasing a “compact city” (highly concentrated urban structure), and how to utilize the alliance with different industries. The Taisei Group aims to become a flexible organization that can handle changes.

Column

The Effort for Digital Transformation

Digital transformation means reconstructing a management style and business process with digital technology to improve corporate value. The digital transformation of Taisei Corporation consists of two axes—: improvement of productivity through the innovation of construction production systems and provision of high value-added solutions to customers.

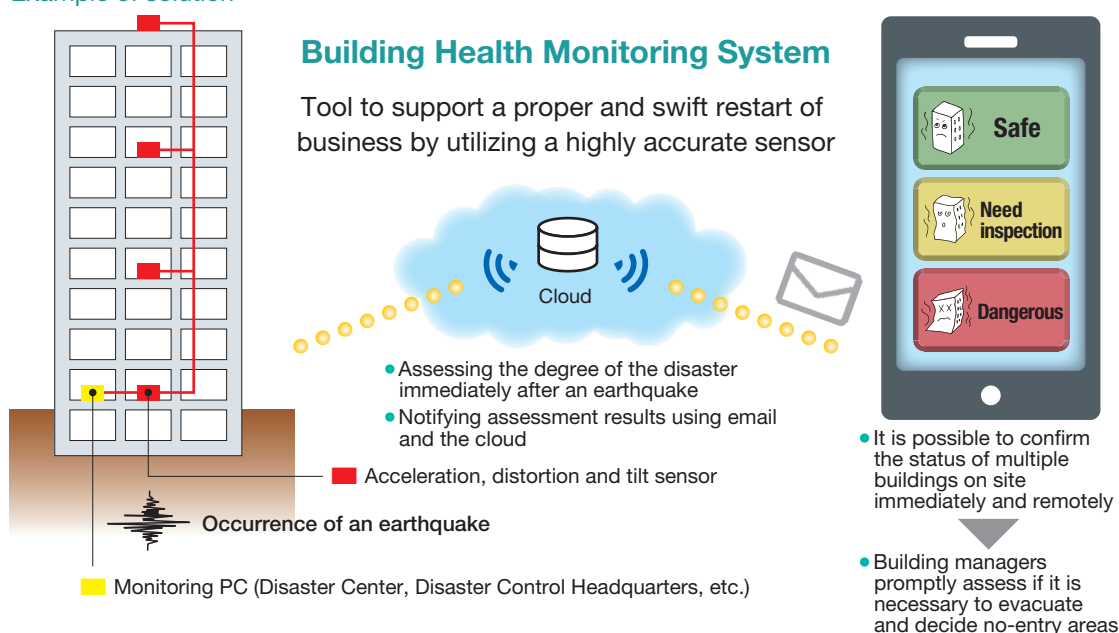
To improve productivity through the innovation of construction production systems, we are promoting labor-saving with unattended construction robots and the development of efficient construction technologies (see p.37) to solve the labor shortage issue of the entire construction industry and the effort to reform our working style (see p.55).

For the provision of high value-added solutions to customers, these days, we have been receiving many requests to solve managerial issues by using digital technology from our customers. Taking this trend as our opportunity, we established the AI IoT Business Committee in July 2018 and AI IoT Business Promotion Department in July 2019 to establish a system to use internal resources across departments.

The committees understand and analyze how buildings are used after their delivery in cooperation with Japanese and foreign IT and venture companies and demonstration tests with our customers. While further improving the value of the solutions that we provide, we are promoting activities to generate business opportunities and new income sources.

In the future, by integrating these two axes, we will further strengthen the existing businesses and promote the generation of new business opportunities.

Example of solution



Special Feature **1** <Talk> President and Investor

Taisei Group's Philosophy

"To Create a Vibrant Environment for All Members of Society" Challenges and Effort for the Realization

We had a talk with Mr. Akitsugu Era, an institutional investor, regarding our effort to improve the corporate value over the medium to long term including the Group's contribution to the sustainable growth of society through the realization of the Group's philosophy and the progress of the medium-term management plan.



President and Chief Executive Officer,
Representative Director
Yoshiyuki Murata

Director and Head of
Investment Stewardship team
BlackRock Japan
Akitsugu Era

He also serves as a member of the CGS (Corporate Governance System) Study Group of the Ministry of Economy, Trade and Industry (METI) and Company-related Systems, Industrial Structural Reform and Innovation Meeting member of the Full-Scale Structural Reform Promotion Alliance led by the Prime Minister.

The Taisei Group Philosophy and Active and Transparent Corporate Culture

Era: I think that the Taisei Group Philosophy, which indicates the group's determination to "strive to build a global society for the next generations by creating spaces where people and nature exist in harmony," is wonderful because it considers businesses and social contribution comprehensively. Could you please tell me how the Taisei Group Philosophy was established and what your company has been doing?

Murata: First, as the foundation of the Taisei Group Philosophy, we have the idea of "Taisei Spirit," which is described by the words "Value Creation," "Evolution of Tradition" and "Active and Transparent Culture." These are embodied in our corporate culture, which has been developed since the time of the inauguration of the Company.

The history of the Company began when Kihachiro Okura established the Construction Department of Okura Gumi Shokai in 1873. At that time, Japan was trying to catch up with Western countries by actively embracing technologies, knowledge and culture from overseas and handling many challenges. There is a lot to learn from the proactiveness of the people during the Meiji Era. Although we have roots in the Okura Zaibatsu founded by Kihachiro Okura, we are no longer a family-owned company. During the post-war period, which saw drastic changes including Zaibatsu dissolution, employees protected the company by establishing an employee stock ownership system. In addition, presidents and executive officers have been chosen based on election. I believe that the Company history with the accumulation of events like these created an active and transparent culture, and formed the philosophy to create a vibrant environment for all members of society.

Era: I have met many employees of Taisei Corporation. Everyone is positive, and I felt there is a culture that allows employees to speak up freely. Philosophy is not something only to pose with, and it is important to infuse it thoroughly within an organization.

Murata: When we seek the Taisei Group Philosophy, it is essential to have an environment that allows not only our employees but also skilled construction workers who work with them to work in a lively way. Taking leadership, I am trying to act on such awareness. For example, I call my employees' name in a formal way in the Japanese language, and refer to people who work at site as "craftsmen" instead of "laborer." This is because I believe that we have to respect skilled construction workers as much as we can.

Moreover, we publish "Message from the President" for employees every month. I prepare the script and write about matters such as what I noticed when I visited a worksite office. To create a topic for casual conversation at

worksite offices, I try to talk about something specific and familiar to employees.

Era: To create an environment that allows employees to work in a lively way, you, as the President, pay attention to the formation of an active and transparent atmosphere, and are creating such environment through your word choice in everyday life and the issuance of messages.

Murata: That is right. In the recent management environment that keeps changing drastically, it is critical to share the Taisei Group Philosophy as an unchangeable axis among all officers and employees, and to reflect it in business activities. I believe that pursuing the Taisei Group Philosophy results in the establishment of a trusting relationship with business partners and the acquisition of talented human resources.

Era: The recent young generation has a strong tendency to seek social significance with their work. In that respect, Taisei Corporation has been working on businesses that directly contribute to society such as the generation of a town which is resilient against disasters. How do you publicize such businesses, the relationship with social contribution and the effort and attitude of the company?

Murata: When I visit a worksite office, I utilize the opportunity to talk to employees directly. I have realized that more and more young people are conscious of their contribution to society. The Taisei Group shall aim to realize the Taisei Group Philosophy through various innovations, and achieve both sustainable development of the Company and contribution to a sustainable society. This is what we communicate in our annual report as well. I think the younger generation is more flexible than us, and tends to accept the idea of aiming for the co-existence of economic and social value.

Era: I agree. We can see it in the 2030 Sustainable Development Goals (SDGs).

Murata: So far, the construction industry has been playing an important role in making a country robust enough to protect people's lives and properties from serious disasters which are described as "unexpected" and "occurring once in 100 years." This is related to SDGs.

SDGs' message, "Leave No-One Behind," and the Taisei Group Philosophy, "To Create a Vibrant Environment for All Members of Society," have something in common, and I think it is important to make this type of idea known to many people.

Era: As an investor, I have huge expectations that your company will improve its corporate and social value by achieving the SDGs goals through its business activities.



Key Measures of the Medium-term Business Plan (FY2018 – FY2020)

Era: About the Medium-term Business Plan, which entered its second year could you please tell me about the goals and progress of the key measures?

Murata: We have three most crucial measures. The first is the expansion of business scale. The second is the reinforcement of overseas business. The third is investment for growth. We are steadily executing these measures.

Era: About the first item, the expansion of business scale, what is your idea? Do you have any target figures?

Murata: The previous Medium-term Business Plan posed a goal, “Deep cultivation of the construction industry, our core business.” With the current plan, we are trying to expand the business scale by enhancing the areas related to the main business. We aim to achieve ¥1,870 billion of sales by the final year, which is FY2020, and ¥2,000 billion in the near future. We consider that it is important to take orders that last even after the Tokyo 2020 Olympics and Paralympics Games focusing on larger scale and longer term projects.

Era: Regarding the second item, “overseas business,” does this mean that overseas business expansion will be the key considering the time after the Tokyo 2020 Olympics and Paralympics Games while domestic demand is currently steadily improving?

Murata: Preparing for the period when domestic demand slows down in the future, we are considering establishing the foundation for future growth by ensuring the sustainable growth of the overseas business and converting our corporate structure to one which works well in overseas markets.

Currently, we are focusing on reinforcing alliances with foreign major construction companies, carrying out urban development projects in Southeast Asia and Taiwan and participating in an infrastructure export project by the Japanese government. Furthermore, we have established local subsidiaries in areas in which we can expect constant business. They have a system developed to become a base for growth in the future.

Since last year, the order status from overseas has been picking up. During this fiscal year, we expect to receive large orders. There are inevitably fluctuations in the order volume due to factors such as the local economic environment but we would like to keep certain level in scale continuously. The number of capable human resources that we need will increase, so it is essential to develop global and talented people. We would like to actively hire not only Japanese people but also local employees, and nurture as many global managers as possible.

Era: Then, would you tell me about “growth investment”? I am also interested in the allocation of investment.

Murata: Targeting a business foundation that allows us to achieve sustainable growth even after 2020, we will make ¥300 billion of strategic investment over three years. With this, we will add high value to the construction and related businesses and enhance the opportunities to increase income.

As for the investment allocation of ¥300 billion, ¥150 billion is allocated to strengthening overseas business and targeted fields (“energy and environment,” “urban development and PPP,” “renewal,” and “engineering”), ¥60 billion to investment in technical development, ¥60 billion to investment in work style reform and productivity improvement, and ¥30 billion to investment in human resources, development of infrastructure, etc.

Work Style Reform and Productivity Improvement Shall Be Promoted as a Set

Era: I would like to ask about the environment surrounding the business of Taisei Corporation. How is the demand-supply balance of the construction market and the issue of a labor shortage?

Murata: We forecast that the demand-supply balance of the construction market will rather steadily improve. We used to be concerned about the status after the Tokyo 2020 Olympics and Paralympics Games. However, since demand is expected to increase not only in the metropolitan area but also other areas due to factors such as EXPO 2025 Osaka, Kansai, Japan, the risk of a significant decrease in demand will be low for the time being.

Era: These past few years, laws and regulations have been getting tighter due to social demand to resolve the issue of long working hours. I think how the construction industry responds to work style reform will directly affect the sustainability of the entire industry and the competitiveness of your company. What do you think about this issue?

Murata: Without skilled construction workers, we cannot expand our business scale. Therefore, it is an urgent task for us to secure skilled construction workers who are active at a worksite office.

To resolve this issue, I have been emphasizing the need to have courage to change conventional working methods.

We are working on work style reform and productivity improvement by treating them as a set. Work style reform and productivity improvement do not contradict each other. We need to reform our work style to improve productivity.

Unless we achieve the same level of working environment as those of other industries and make the construction industry attractive, there is no future for the industry. Our ability to establish a new production system will decide the destiny of the Company. Therefore, we, as the whole Company, need to tackle and overcome this issue. Currently, worksite employees are very busy. So, we take a flexible approach to staff allocation, such as by sending employees from support organizations at the head office to assist them and handle projects utilizing all of our human resources.

Moreover, according to research by the Cabinet Office, “if women play an active role, the GDP of the country will increase.” We would like to establish a system to bring out the abilities of female employees by expanding their work fields and formulating an attractive career plan.

Era: Taisei Corporation has started fully operating its Construction Career Up System this year. Is this part of your effort for work style reform?

Murata: Yes, it is. The Construction Career Up System is one to visualize the qualification and working history of skilled construction workers using an industry-standard framework. For skilled construction workers, the system could result in improving their treatment because of a proper assessment of their abilities and experience that is recorded and accumulated in the system. This could contribute to the securement of human resources for the construction industry over time. We will first install a card reader for each worksite office whose construction amount is ¥100 million or more. In the future, we will provide a card reader to all worksite offices. We will also take the initiative and encourage partner companies to introduce the system.

Moreover, at the building department, we are improving the productivity of design and construction by promoting the digitalization of a construction management system such as Building Information Modeling (BIM) to allow worksite employees to concentrate on quality and safety management fully. Therefore, we established the Digital Product Center in the head office to centralize tasks related to drawings.

Era: For work style reform and productivity improvement, technological innovation such as the IoT and robots plays a significant part, does it not?

Murata: Technological innovation makes many impossible things possible. We want to actively make a shift in areas that are handled better by robots than human beings, such as simple tasks and heavy labor.



The important point, however, is that we do not let human beings and robots compete with each other; instead, skilled construction workers shall master how to use robots to improve productivity. As for the investment in such technological foundation, we utilize many comments and ideas of our partner companies and promote investment by cooperating with each other. I think it is one of our roles.

The most important key to future growth is productivity improvement. Now we have the best opportunity to contemplate the technologies and production methods which are suited to the times. In addition to work style reform, the entire Company is working on this.

Era: That is exactly the courage to change. I think it is crucial to have leadership in management to resolve social issues such as SDGs through ESG-conscious management. This interview has made me fully understand President Murata's idea to realize the Taisei Group Philosophy, “To Create a Vibrant Environment for All Members of Society,” and how Taisei Corporation foresees the direction of society and develops its management strategies based on it.

Postscript after the Talk

President Murata has experience in dealing with various cultures and businesses having been stationed in Kuala Lumpur, Malaysia and handled the detached house business. I could see that over the course of his career, he has learned to become more courageous, active and decisive. Through the talk, I could see that his management capability which has been developed through his experience is serving as a significant driving force for the realization of the Taisei Group Philosophy and the fostering of global human resources. I hope he keeps sending out his message based on the Taisei Group Philosophy. (Era)

Special Feature 2 External Board Members' Discussion

By Reinforcing Governance while Listening to Various Opinions, Develop Prospects for the Future of Taisei Corporation

Three external Members of the Board, who have been widely active in company management and official duties, talked about the governance of Taisei Corporation that they noticed, observing how the Board is functioning and the vision of our sustainable growth in Japan and overseas.



External Member of the Board Toru Tsuji

Profile

1961 Joined Marubeni-Iida Co., Ltd. (current Marubeni Corporation)
1999 President and Chief Executive Officer, Representative Director
2003 Chairman of the Board, Representative Director
2008 Corporate Advisor, Member of the Board
2011 Member of the Board, Taisei Corporation (incumbent)

Concurrent positions

June 2008–June 2012 External Member of the Board, Konica Minolta Holdings, Inc.
June 2008–June 2013 External Member of the Board, Sekisui Chemical Co., Ltd.

Reason for appointment

Rich experience as top management of a general trading company and a global point of view

*Mr. Tsuji and Mr. Sudo had served as directors for eight years since their inauguration in 2011. However, they resigned as directors in June 2019.

External Member of the Board Fumio Sudo

Profile

1964 Joined Kawasaki Steel Corporation (Current JFE Steel Corporation)
2001 President and Chief Executive Officer, Representative Director
2002 Member of the Board of JFE Holdings, Inc. (Part-time)
2003 President and Chief Executive Officer, Representative Director of JFE Steel Corporation
2005 President and Chief Executive Officer, Representative Director of JFE Holdings, Inc.
2010 Honorary Advisor
2011 Member of the Board of Taisei Corporation (incumbent)

Concurrent positions

June 2010–June 2016 External Member of the Board, JS Group Corporation (current LIXIL Group Corporation)
June 2010–Present External Member of the Board, New Otani Co., Ltd.
April 2011–May 2012 Chairman of the Management Committee, Japan Broadcasting Corporation
June 2011–June 2017 External Member of the Board, Takeda Pharmaceutical Company Limited
June 2012–March 2014 External Member of the Board, Tokyo Electric Power Company (current Tokyo Electric Power Company Holdings, Inc.)
April 2014–June 2017 Chairman of the Board, Tokyo Electric Power Company Holdings, Inc.

Reason for appointment

Rich experience as top management of a number of companies

External Member of the Board Atsuko Nishimura

Profile

1979 Joined the Ministry of Foreign Affairs
1999 Counselor/Minister, Permanent Mission of Japan to the United Nations
2001 Envoy, Embassy of Japan in Belgium
2004 Professor, Graduate School of Law, Tohoku University
2008 Administrator, the Japan Foundation
2012 Adviser Extraordinary, Japan Oil, Gas and Metals National Corporation
2014 Ambassador Extraordinary and Plenipotentiary, Embassy of Japan in Luxembourg
2016 Ambassador Extraordinary and Plenipotentiary, in charge of Women, Human Rights, and Humanitarian Affairs
2017 External Member of the Board, Taisei Corporation (incumbent)

Concurrent positions

June 2017–Present External member of the Board, INPEX Corporation

Reason for appointment

A broad range of insights, international sense, and objective point of view based on many years' experience as a diplomat

Nishimura: Recently the expectations for and interest in external members of the board have been increasing. This has happened from the viewpoint of both aggressive governance to develop new management strategies for sustainable growth and the improvement of corporate value for a long time to come and defensive governance such as compliance and internal control, which serves as the foundation of the aggressive governance. To ensure the Board functions effectively, I feel a great responsibility.

Tsuji: External members of the board are, after all, members of the board. So, we have the same role as internal Members of the Board, and need to promote the growth of a company and the improvement of corporate value. We need to fulfill this responsibility accordingly. I provide my advice to the Board from a global perspective based on experience being engaged in the management of a general trading company for many years.



Sudo: A company is an entity that has a social status and is supported by society. We, the external Members of the Board, are elected based on a resolution of a general shareholders meeting of shareholders. Therefore, we need to sincerely respond to the expectations of shareholders and all other stakeholders. This is the role of the external Members of the Board. Especially during a time like now when things keep changing drastically, it is important to confirm the validity of business judgments and decision-making by ensuring accountability and conformance to social requirements.

Nishimura: I have experience and knowledge accumulated by acting as a diplomat for nearly 40 years

and being engaged in various areas and activities in Japan and overseas. I always try to suggest the direction of the management strategies and offer advice for the smooth operation of each business from a different viewpoint from those of internal Members of the Board.

Sudo: In 2017, the number of External Members of the Board was changed to three. Taking that opportunity, three of us started having an extra meeting on a day when the Board is not held. We receive a briefing on proposals from responsible officers, and the External Members of the Board exchange opinions. Rather than receiving the briefing individually, we can come up with a greater variety of ideas, and the system allows us to provide more specific advice to the Board. We see some proposals are fully discussed internally in advance and submitted only to receive approval. I think we can provide better advice if we are informed about the content of the discussion at the time of this briefing.

Nishimura: I agree. Looking back on the past year, I think that we have been sharing more information than before.

At the Board, we conduct deliberations by fully recognizing the importance of reinforcing the response to ESG, which is viewed as one of the most crucial social issues in the world, and compliance, which is a prerequisite for corporate activities. The specific measures to improve awareness, establish and reinforce rules are becoming stricter than before.

As some proposals are deliberated on again if necessary, the check function is working properly. My view is that the Company is striving to conduct efficient and effective corporate governance.

Tsuji: It has been eight years since I was appointed as External Member of the Board of Taisei Corporation. The Board started having lively discussions about management issues. Each executive officer presents his or her idea with a critical mindset as a professional. While the President welcomes a variety of opinions, he has clear basic policies. Through discussions, I believe an appropriate conclusion is delivered.

Special Feature 2 External Board Members' Discussion



Sudo: I agree that the Board has an open culture. When we are going to take advantage of this merit, it is important to create an environment that encourages a bottom-up approach in addition to a top-down one. I think that governance and compliance are reinforced through a direct conversation between the top management members and the employees who are active on the front lines. I always pay attention to this part, and try to check it.

Tsuji: Japanese major construction companies have a unique business style, which cannot be found in Europe and the United States. The capability of Japanese major construction companies which can comprehensively handle technology research and development, design and construction is very promising.

One of the current major themes for Taisei Corporation is overseas expansion. I want to see the employees actively tackle this challenge. I do not mean to encourage the Company to expand abroad because of shrinking domestic demand, but I want Taisei Corporation to grow as a real global company. Therefore, important tasks include securing employees, developing human resources and managing risks, and we can provide various proposals.

Sudo: In addition, as for overseas expansion, I think we can start seeing many things by steadily working on small-sized projects. There are times that we are in conflict with a customer. However, we can learn from those kinds of incidents, and grow bigger.

Nishimura: While the Company proceeds with overseas expansion and strategic growth investment for the future, we are dealing with unconventional business models and diversified and complicated business forms. Under the circumstances, it is necessary to focus on reinforcing compliance more than ever.

Tsuji: I think so, too. When we reinforce officers' and employees' compliance, it is important to repeatedly and successively plan and execute activities to raise awareness such as through education and training.

Nishimura: Since various changes are speeding up, unimaginable things may be happening in ten years' time. In addition, society will find the Taisei Group Philosophy, "To Create a Vibrant Environment for All Members of Society," more meaningful than ever.

I want Taisei Corporation to take the initiative and tackle issues that the construction industry is facing such as work style reform, productivity improvement and human resource development. In ten years, I want it to shine as an attractive company by realizing a workplace that allows various talented people to work in a lively way, actively working on the development of innovation and presenting the solutions to various social issues.

Sudo: During the Heisei era, every industry regardless of their type experienced reorganization. Even if the construction industry goes through full-scale reorganization in the future, I want Taisei Corporation to take the lead in the movement. To do so, I hope it will enhance its presence to achieve a business scale of ¥2 trillion.



Messages from Newly Appointed External Members of the Board

We received messages from three newly appointed external members of the board of Taisei Corporation in June 2019.

What major construction companies produce is buildings and infrastructure. The parties that place an order are mainly private companies, the central government and public agencies, and “people” are always involved as an end-user. By utilizing “the eyes to watch people’s lives” which were developed by managing a beverage manufacturer, a BtoC company, I would like to participate in discussions about realizing the Taisei Group Philosophy, “To Create a Vibrant Environment for All Members of Society,” the effort to achieve SDGs, which is the common goal for all mankind, compliance with laws, regulations and public morals, etc. to meet the expectations of all stakeholders.

Profile

1969.04: Joined Sapporo Breweries Limited (Present: Sapporo Holdings Limited)
1999.03: Executive Officer
2001.03: Managing Executive Officer
2003.07: Member of the Board; Senior Managing Executive Officer of Sapporo Breweries Limited (new company)
2004.03: Managing Executive Officer, Member of the Board of Sapporo Holdings Limited
2005.03: President and Chief Executive Officer, Representative Director, Group CEO

2011.03: Chairman of the Board, Representative Director
2011.06: External Member of the Board of Television Hokkaido Broadcasting Co., Ltd [Present Position]
2014.03: External Audit & Supervisory Board Members of FUJIO FOOD SYSTEM Co., Ltd [Present Position]
2018.03: Honorary Counsellor of Sapporo Holdings Limited [Present Position]

Concurrent positions

External Member of the Board of Television Hokkaido Broadcasting Co., Ltd
External Audit & Supervisory Board Members of FUJIO FOOD SYSTEM Co., Ltd

Reason for appointment

Rich experience in managing multiple companies



External Member of the Board

Takao Murakami

In 2018, the Corporate Governance Code was revised. The level of the governance system that companies are required to have is becoming more demanding every year. Over many years, I have been engaged in reinforcing the governance system as a manager of a bearing company. The crucial point is not the arrangement of a system, but the healthy and effective operation as well as the improvement of corporate value and sustainable growth based on strong governance. By providing adequate and practical advice at the Board, I would like to help further reinforce governance. In addition, through my work, I would like to see the Board serve as an organization to make transparent and objective decisions swiftly.

Profile

1973.04: Joined NSK Ltd.
2000.04: Executive Officer
2002.06: Managing Executive Officer, Member of the Board
2004.06: Senior Managing Executive Officer, Representative Director
2007.06: Executive Vice President, Representative Director
2009.06: President and Chief Executive Officer, Representative Director

2015.06: Chairman, Member of the Board
2017.03: External Member of the Board of Showa Shell Sekiyu K.K.
2018.06: Advisor of NSK Ltd. [Present Position]
2018.06: External Member of the Board of Sojitz Corporation [Present Position]
2019.04: External Member of the Board of Idemitsu Kosan Co., Ltd. [Present Position]

Concurrent positions

External Member of the Board of Idemitsu Kosan Co., Ltd.
External Member of the Board of Sojitz Corporation

Reason for appointment

Rich experience in managing multiple companies



External Member of the Board

Norio Otsuka

Taisei Corporation poses “the sustainable growth of the overseas business” as one of the management tasks of the Medium-term Business Plan formulated in 2018. As a manager of a general trading company, I have been facing various risks and challenges such as how to handle foreign business customs and foreign cultures that are different from those of a domestic business. For a company to grow, it is necessary to evaluate those risks from multilateral viewpoints and manage them effectively. To strengthen a risk management system for the growth of the overseas business, as a director of the Company, I would like to actively express my opinions based on my knowledge and experience, and contribute to the sustainable growth of the Company.

Profile

1975.04: Joined Marubeni Corporation
2005.04: Executive Officer
2008.04: Managing Executive Officer
2008.06: Managing Executive Officer, Representative Director
2010.04: Senior Managing Executive Officer
2012.04: Executive Vice President

2012.06: Executive Vice President, Representative Director
2013.04: President and Chief Executive Officer, Representative Director
2019.04: Chairman, Member of the Board [Present Position]

Concurrent positions

Chairman of the Board of Marubeni Corporation

Reason for appointment

Broad insight and an international perspective as the top management of a general trading company



External Member of the Board

Fumiya Kokubu

Special Feature 3 Taisei Corporation's Efforts to Realize a Sustainable Society

7 SDGs Dialogue

The Possibility of Regional Revitalization and Value Creation through Concession

Inviting Mr. Hidemitsu Sasaya, a visiting professor of the Graduate School of Information & Communication, who has deep insight into SDGs, the Chief and four members of the Urban Development Division, which is responsible for tasks related to airport concession and town planning, exchanged opinions having "Regional Revitalization and SDGs" as a theme.



Facilitator

Urban Development Div.
Property Management
Business Dept.
Assistant Manager

Mai Yamamura

Urban Development Div.
Property Management
Business Dept.
Chief Manager

Hideaki Okamoto

The Graduate School
of Information &
Communication
Visiting Professor

**Mr. Hidemitsu
Sasaya**

(Director of Sustainability
Forum Japan, Director of
Japan Society for Business
Ethics, Former Corporate
Adviser of ITO EN LTD.)

Senior Managing
Executive Officer;
Chief of Urban
Development Division

Katsuyuki Kanai

Fukuoka International
Airport Co., Ltd.
(Assigned employee)

Takuya Hara

Takamatsu Airport
Co., Ltd.
(Assigned employee)

Hideaki Kita

SDGs in Japan "Good for the Seller, the Buyer and Society"

Sasaya: Today's theme is regional revitalization and SDGs. I interpret the word, "regional" not as "local" but as "community." The revitalization of a community is an effort to activate all areas including urban areas. Airports that Taisei Corporation are handling would be the symbol.

SDGs are advocated to strengthen the contact point between society and companies. Japanese people have a traditional idea of "Good for three parties (Good for the

seller, the buyer and society)." So, in Japan, people have been familiar with the concept of modern SDGs for a long time. On the other hand, investors are watching whether companies conduct business in the "Good for three parties" style, using this aspect as a standard for selecting investment targets. ESG investment that focuses on the environment, society and governance is rapidly increasing. Under these circumstances, SDGs were introduced in 2015.

SDGs Goal 11, 12



Goal 11
Make cities and human settlements inclusive, safe, resilient and sustainable



Goal 12
Ensure sustainable consumption and production patterns

SDGs and Regional Revitalization

Sasaya: SDGs are considered one of the important topics that anyone in the world would cite.

In Japan, achievement of the SDGs is clearly stated in the procurement code of the Tokyo 2020 Olympics and Paralympics Games, which pays attention to sustainability, as well as in the purpose of convening EXPO 2025 Osaka, Kansai, Japan.

In addition, while SDGs are widely spread in society and becoming the mainstream, the Japanese government is setting out an action plan, “Regional revitalization having SDGs as a driver, and development of robust and environment-friendly communities.” Taisei Corporation, which is engaged in urban planning, will have a lot to do with regional revitalization which uses SDGs as a driving force as a company that stays close to each party that places an order for a large-scale project and that affects the people concerned.

Kanai: I acknowledge that regional revitalization is one of the most important tasks of the Urban Development Division. In Nishi-Shinjuku, by cooperating with local companies, universities and public agencies, we are promoting measures to help improve the value of the entire Nishi-Shinjuku area (see Column ①). We are aiming to convert an area with car-centric roads and skyscrapers of a wide variety of designs that sporadically spread into a pedestrian-friendly fascinating town that gives a unified



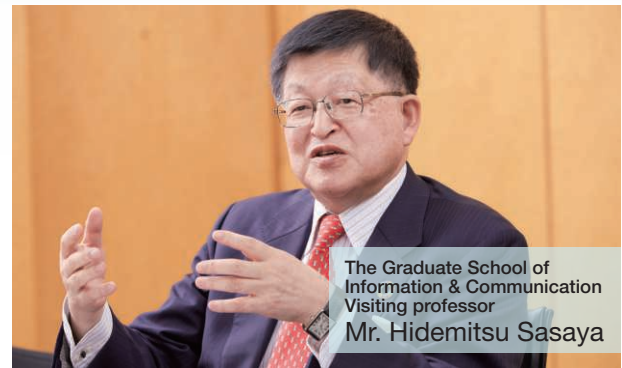
Senior Managing Executive Officer;
Chief of Urban Development Division
Katsuyuki Kanai

Column ①

Making Nishi-Shinjuku look more attractive



We set up the “Shinjuku Subcenter Area Environmental Improvement Commission,” which consists of a total of 16 organizations including companies and universities that have their head office or base in Nishi-Shinjuku to strengthen cooperation with the public sector and communities. Through the implementation of various events, etc., we are helping to increase the value of the entire Nishi-Shinjuku area.



The Graduate School of Information & Communication
Visiting professor
Mr. Hidemitsu Sasaya

impression with a number of unique buildings and attracts people. To this end, we are effectively using a plaza, and constructing an atrium with a large roof and an art museum, the base for arts. Since the successful result attracted people’s attention, we established the Urban Planning Promotion Office, which handles the revitalization of towns and area branding, in April 2018. Currently, it is working on measures to resolve issues and improve the value of areas including Sapporo, Sendai, Hiroshima and Fukuoka. Our participation in Takamatsu airport concession, which promotes the revitalization of the airport and surrounding areas (see Column ②) is a typical example of our effort for regional revitalization. The construction industry is a contract-based business, which is susceptible to economic fluctuations. To aim for sustainable growth of the Company, as the Medium-term Business Plan states, in addition to our core construction business, we need to add high value to related businesses and enhance the opportunities to increase income. I believe an airport concession is one of the specific measures to achieve them. The style of these measures is not a conventional “effort in the background.” They shall promote our business. So, this is so to speak business innovation. Through many PFI projects that we handle, particularly the case of Ehime Prefectural Central Hospital, in which we conducted some hospital management (see Column ③), we have obtained know-how in the public facility management business.

Special Feature 3 Taisei Corporation's Efforts to Realize a Sustainable Society

Column ②

Takamatsu Airport Specific Business Operation Business (Concession)



In April 2018, we started Takamatsu Airport operation business in collaboration with Mitsubishi Estate Co., Ltd., etc. This business utilizes private funds and management capabilities and conducts integrated and agile airport management to invigorate the airport and surrounding facilities.

SDGs, the Common Language which Links the Company and External Parties

Sasaya: Especially the content of SDG 11, “Sustainable Cities and Communities” is valuable as a reference when we think about the sustainability of the main entities of a community such as airports and hospitals, which are the business target of Taisei Corporation. In which part of your daily business, do you feel that it is related to regional revitalization and the achievement of SDGs?

Kita: I am responsible for the revitalization of the sightseeing business and promotion to attract people for Takamatsu Airport concession (see Column ②). I am also working on enhancing airport bus services. I think this is related to SDG 11 “Safer transport” and “Provision of access to a sustainable transport system.” My tasks, how to increase the number of customers and make the airport and sightseeing business thrive, are closely related to SDGs.



Takamatsu Airport Co., Ltd.
(Assigned employee)
Hideaki Kita

Hara: Like Takamatsu Airport, the Fukuoka Airport concession is also relevant to SDGs. Since the airport is located in an urban area, the advancement of the airport and local communities are directly related, so carrying out the task gives me a sense of satisfaction. To improve not only the hardware aspect of buildings but also the software function that is required by users, I think we can create new value to contribute to the achievement of SDGs by constantly listening to the opinions of local communities.

Column ③

PFI Project of Ehime Prefectural Central Hospital



It is a PFI project to handle maintenance, management and operation of Ehime Prefectural Central Hospital until March 2033. By utilizing the know-how and creativity of a private company, we efficiently provide quality and stable hospital operation services.

Okamoto: Through the experience of being engaged in the operation company of Ehime Prefectural Central Hospital (see Column ③), to continue operating for 20 or 30 years as important life infrastructure for the community, it is crucial not only to maintain hardware but also to keep the level of software including safety, ease of mind and convenience over a certain level through proper operations. Moreover, to be responsible for a hospital, which offers peace of mind to local residents, I found my task emotionally rewarding because I can contribute to regional revitalization and community invigoration.

Yamamura: The actual implementation of the Nishi-Shinjuku area management (see Column ①) is relevant to SDG 12, “Responsible consumption and production.” The party that considers urban planning has a responsibility to demonstrate how to use infrastructure. When I saw that people enjoy coming to Nishi-Shinjuku because of our plan, I felt that we could contribute to the formation of civic pride (pride in and attachment to the city).

Sasaya: I think it is quite effective to publicize how Taisei Corporation is thinking and working on the revitalization of communities in the way that people can easily understand, and use SDGs as a common language to promote internal awareness reform. By making SDGs a common language, based on values regarding sustainability, I think that we can effectively obtain cooperation internally and be approached by external parties.



Fukuoka International
Airport Co., Ltd.
(Assigned employee)
Takuya Hara

Future Potential of Airport Concession

Sasaya: Could you tell us about future development?

Okamoto: Airport concession involves activities in which we can contribute to the revitalization of local communities if our efforts to use our intelligence and make attractive facilities utilizing the characteristics of the local communities deliver results. We can achieve efficient operation of an attractive airport.

Yamamura: An airport is a starting point of travel. In the case of inbound, it is a place for people to learn about the country for the first time. I think it is sad if we make it only a point for people to pass although it could be a fantastic facility that provides people with many dreams. The government has set the goal of increasing the number of inbound travelers to 60 million by 2030. It is important for both airports and local communities to warmly welcome those people, and utilize the opportunity to revitalize the local communities.

I think an airport can connect people who are in a variety of positions equally for the revitalization of the local communities.



Hara: Since it is a facility in which all kinds of people interact with their own opinions, as Mr. Sasaya says, it is an appropriate idea to have SDGs as a common language for everyone to pull in the same direction and expand the possibility of airport concession.

Kita: Takamatsu Airport aims to handle 3.07 million passengers in 2032. Since it recorded about 2.05 million people in 2018, it is a very ambitious target. It has established a council which consists of the local government and economic organization to make a concerted effort to achieve the goal. As for the airport bus services, it is implementing measures to enhance the services not only for sightseeing but also as the transport of local residents by extending the services to sightseeing spots and stations other than those in Kagawa Prefecture.



Ideally, increasing both inbound and outbound, it will promote interaction among people, and we will be able to become No. 1 international airport in the Shikoku-Setouchi area in a true sense.

Kanai: As for airport concession, we are considering expanding overseas, especially to Southeast Asia in the future. To do so, we are accumulating operational know-how and knowledge in Takamatsu and Fukuoka.

Taisei Corporation has other departments that can contribute to society through new businesses related to regional revitalization in addition to the Urban Development Division, such as the Energy Division and the Environment Division. I think that the Urban Development Division has a duty to provide these departments with opportunities to take an active role.

Understanding the Philosophy behind SDGs

Sasaya: As Taisei Corporation publicizes its social activities, we can increase our allies and create innovation. SDGs consist of 17 goals and 169 targets, and they present the idea of 5 P's to assist in understanding.

- People
- Prosperity
- Planet
- Peace
- Partnership

With 17 global goals, we will resolve the issues of the 5 P's. To utilize SDGs, I expect everyone at Taisei Corporation to understand not only the definition of the terms and interpretation but also the philosophy behind the SDGs, work on urban planning and regional revitalization presenting ideas and proposals, and contribute greatly to the realization of the future that SDGs aim for.



SDGs X ZEB

Japan's Top-Class ZEB Public Facility

Aichi Environmental Research Center & Aichi Prefectural Institute of Public Health

As a resilience strategy to contribute to the achievement of SDGs, we promote ZEB (zero energy building), which has the potential to impact on society.

For the Achievement of a Sustainable and Environmentally Friendly Society

As energy issues and global warming caused by increasing CO₂ emissions have become serious social issues, Taisei Corporation has been committed to the diffusion of ZEB since its early stage. ZEB reduces the energy consumption of an entire building by paying attention to the environment during construction starting from the design phase, and saving energy using energy creation systems such as solar power while keeping the indoor environment comfortable.

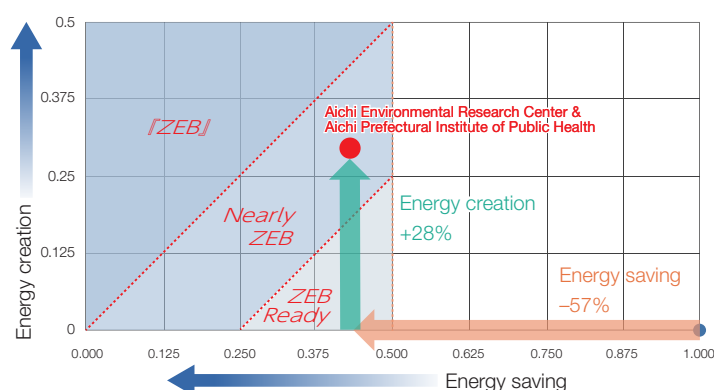
The popularization of ZEB is an important step toward achieving Japan's 2030 greenhouse gas reduction target of 26% (compared to 2013), which was registered under the Paris Agreement. In addition, it is included in SDGs Action Plan 2019 established by the Japanese government as a measure to contribute to the realization of SDGs.

Aichi Environmental Research Center & Aichi Prefectural Institute of Public Health is Japan's top-class ZEB public facility. It also obtained the highest rank of five stars under the Building-Housing Energy-Efficiency Labeling System (BELS^{*1}) established by the Ministry of Land, Infrastructure and Transport, and was certified as the first ZEB (Nearly ZEB^{*2}) public research facility in Japan.

The building has adopted various energy saving and creating facilities. It reduces primary energy consumption by 57% compared with standard buildings, and produces 28% of its energy with a solar power system. Overall, it achieved an 85% reduction in primary energy consumption ($BEI^{*3}=0.15$).

-85% Reduction of primary energy consumption

Position in ZEB Chart



Definition of ZEB

| | | |
|---------------------|--|--|
| 『ZEB』 | Building that saves energy by 100% or more | |
| Nearly ZEB | Building that saves energy by 75% or more | |
| ZEB Ready | Building that saves energy by 50% or more | |
| ZEB Oriented | Use of building | Office, school, factory, etc. 40% or more (excluding created energy) + experimental technology |
| | | Hotel, hospital, department store, etc. 30% or more (excluding created energy) + experimental technology |

As defined in ZEB's quantitative criteria by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry, ZEB levels are categorized based on annual primary energy consumption volume.

In March 2019, "ZEB Oriented" (for the buildings with a total floor area of 10,000 m² or more only) was added.

^{*1} An abbreviation of "Building-Housing Energy-Efficiency Labeling System." It is a third-party certification system specialized in the energy saving capability of a structure established by the Ministry of Land, Infrastructure and Transport. Based on the calculation method defined by the government, BEI (Building Energy Index) is determined. Based on this value, it is given a rank of between one and five stars. The highest rank is five stars. Among the five-star buildings, those with the highest energy saving capability are certified as ZEB.

^{*2} It is a building that is very close to ZEB, satisfies ZEB Ready requirements and has reduced annual prime energy consumption volume to almost zero by utilizing renewable energy. It should fulfill the following two points: ① reduction of standard primary energy consumption volume by 50% or more (excluding renewable energy), and ② reduction of standard primary energy consumption volume by 75% or more and less than 100% (including renewable energy).

^{*3} An abbreviation of Building Energy Index (designed primary energy consumption volume/standard primary energy consumption volume).

SDGs Goal 7, 11, 12, 13



Goal 7
Ensure access to affordable, reliable, sustainable and modern energy for all



Goal 11
Make cities and human settlements inclusive, safe, resilient and sustainable



Goal 12
Ensure sustainable consumption and production patterns



Goal 13
Take urgent action to combat climate change and its impacts

During the same period, Taisei Construction steadily built up a track record in the construction of commercial ZEB facilities such as the New Head Office Building of Kinki Sangyo Credit Union (Chuo-ku, Osaka) (see p.8) and the next-generation research and development block in our Technology Center (see p.21) to accelerate the popularization.

Our ZEB measures are the culmination of our accumulated efforts over many years to develop environmental technologies to mitigate the impact of society on the environment. Resulting technologies are immediately utilized in design and construction.

As a resilience strategy to contribute to the achievement of SDGs, we promote ZEB measures, which have the potential to impact on society.

Energy Saving and Creating Technology of Aichi Environmental Research Center & Aichi Prefectural Institute of Public Health

① Two-source hot water recovery GeneLink

The building adopted a “two-source hot water recovery GeneLink,” a gas absorption water chiller-heater to reduce the consumption of town gas, which is the main heat source.

② Air-conditioning system that utilizes the heat of well water

By introducing heat pump chillers and water cooled multi air conditioners for the building, the energy consumption of the air conditioning system was reduced.

③ Light and ventilation control with a next-generation human detection system

By adopting T-Zone Saver, a system that automatically controls light and ventilation depending on the presence of people, comfort was also improved.

④ Photovoltaic power generation system was installed

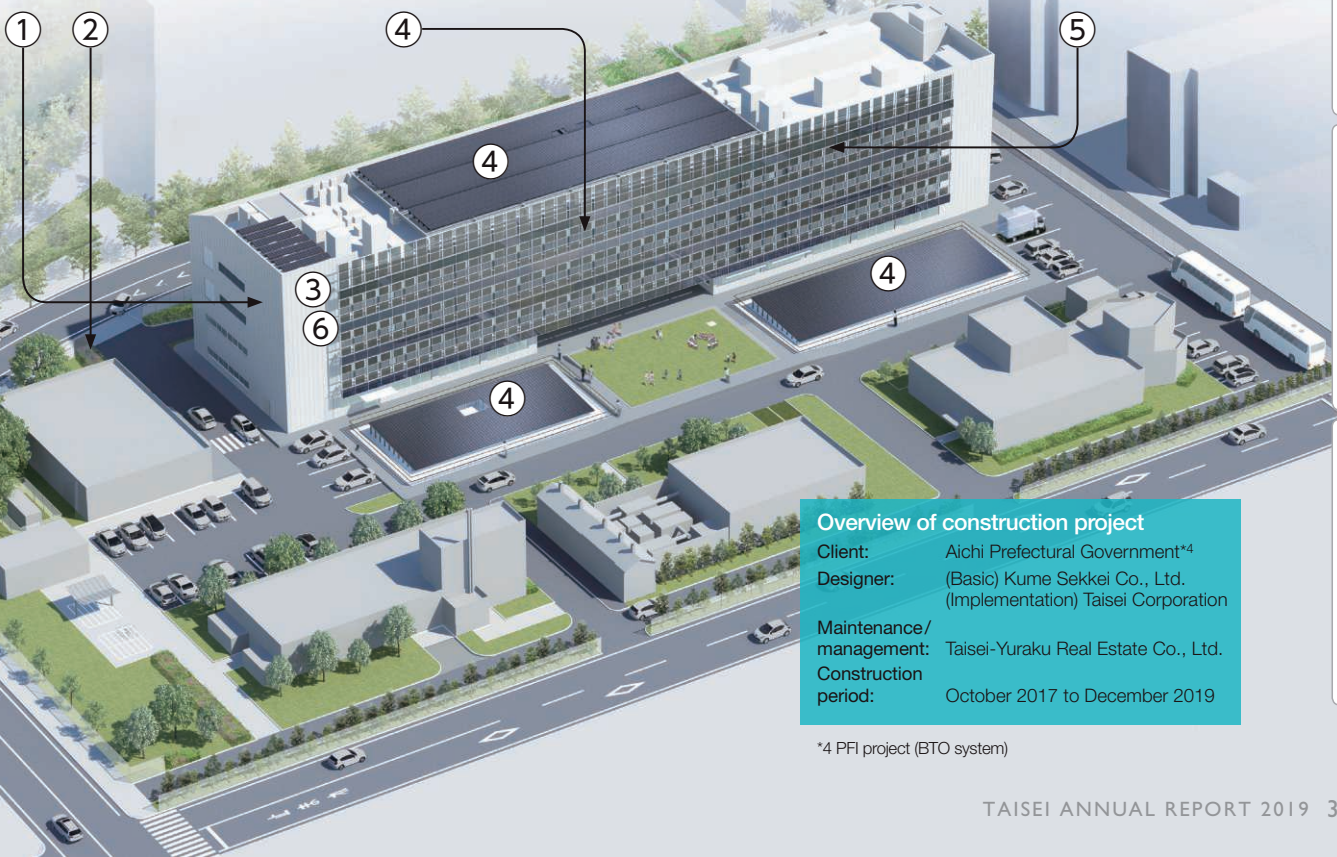
For the photovoltaic power generation system, monocrystal photovoltaic power generation was adopted on the roof, on the ground on the premises, and on part of the wall on the south side. In addition, on the wall on the south side, a see-through type photovoltaic power generation system was installed to generate energy effectively.

⑤ Creation of comfortable space with natural light coming from windows

A see-through type photovoltaic power generation system was set above and below the windows of the wall on the south side. By maintaining the view and light, a comfortable space was created.

⑥ Introduction of air-conditioning system to reduce the burden of using outside air

By introducing Cool Pit, a technology that utilizes natural energy, focused on the properties of underground heat, and a high-speed VAV system in the draft chamber, the burden of using outside air was reduced.



Overview of construction project

Client: Aichi Prefectural Government*4
Designer: (Basic) Kume Sekkei Co., Ltd.
(Implementation) Taisei Corporation
Maintenance/management: Taisei-Yuraku Real Estate Co., Ltd.
Construction period: October 2017 to December 2019

*4 PFI project (BTO system)

3

TAISEI i-Innovation®

Development of Efficient Labor-Saving Technology to Resolve Social Issues

With TAISEI i-Innovation®, Taisei Corporation is promoting greater work efficiency by implementing labor-saving with robots at construction sites and introducing artificial intelligence (AI). In this way, we will contribute to the achievement of SDGs.

Case ①

Unattended Heavy Construction Machinery and Automation Technology Launched the Development of the Next-Generation Hydraulic Shovel for the Automation of Work

Aiming to develop technology for unattended construction heavy machinery, we started developing technology to automate processes such as digging and loading using the next-generation hydraulic shovel, Cat320, made by Caterpillar Japan LLC as a base machine. We shall push forward with technological development phase by phase having the realization of unmanned construction using automatically linked construction machinery at a certain size of a construction site as our final target.



Automatically controlled digging and loading processes

Case ③

Unattended Construction Robot Technology T-iROBO® Series

To utilize robots for work, we promote the development of various types of unattended construction robot technology (T-iROBO series). We have planned and developed about ten models as the T-iROBO series including robots to reduce workers' burdens and those to assist skilled workers' task such as welding.

We will advance the development of efficient labor-saving technology by promoting the introduction of automated remote control-type construction machinery and robots at construction sites and consider automation by linking various types of construction machinery and AI in the future.



Concrete floor finishing robot
T-iROBO® Slab Finisher

Case ②

Development of Tunnel Face Projection Mapping for Mountain Tunnel Construction

In cooperation with Fuji Technical Research Inc., Mac Co., Ltd. and Furukawa Rock Drill Co., Ltd., we developed equipment to project life-sized photographs and sketches of the ground and information such as the hardness of the ground using the tunnel face as a screen during mountain tunnel construction. The technology enables workers to share the latest ground information in real time, and improves work safety and efficiency.

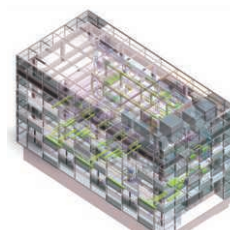


Ground information projected onto the tunnel face

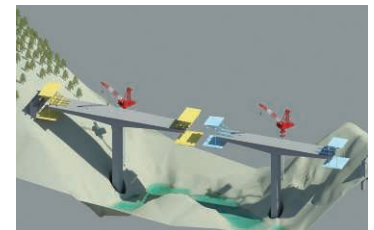
Case ④

Construction Production System BIM and T-CIM®

BIM is a construction information database which links a 3D building model created with a computer and attribute information including the specification, layout and cost of building components and equipment. We are actively promoting the development of T-BIM 5D, which is a construction management support system that is capable of managing work progress and cost. T-CIM is our proprietary system that systematizes CIM, information and communications technology promoted by the Ministry of Land, Infrastructure and Transport and Tourism. We are introducing and operating our proprietary T-CIM series such as management methodology, the T-CIM/concrete stacking management system, at each worksite office.



BIM model of Technology Center
ZEB Verification Building



T-CIM® Bridge for bridge construction site



Goal 9
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Goal 11
Make cities and human settlements inclusive, safe, resilient and sustainable



Goal 13
Take urgent action to combat climate change and its impacts

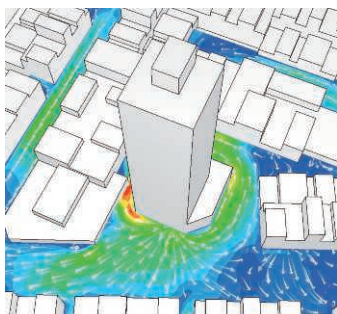


Goal 17
Strengthen the means of implementation and revitalize the global partnership for sustainable development

Case ⑤

Development of Technology to Forecast Wind Environment Surrounding Building with AI

For the wind environment surrounding a tall building which has been recreated with a model experiment and computer simulation, we developed technology to make a forecast in a short time using AI. In the future, we will further improve the forecasting accuracy of the wind environment using this technology. By positioning it as a design support tool that takes the wind environment into account, we will actively deploy it.

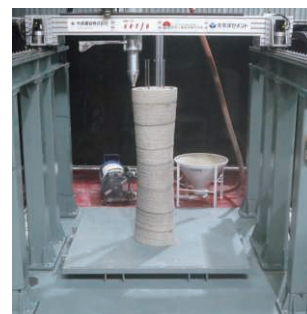


Forecast results with AI

Case ⑥

3D Printer for Construction Development of T-3DP (Taisei-3D Printing)

In cooperation with AKTIO Corporation, the National Institute of Technology, Ariake College and Taiheiyo Cement Corporation, we developed a 3D printer for construction which uses cement-based material. With this, formwork which used to be essential to construction using concrete becomes no longer necessary. With 3D data, construction components in various shapes can be automatically produced quickly with high accuracy. We are aiming to put it into actual use by fiscal 2025.



Production of a large-scale hollow structural post

Case ⑦

Tactile Pressure Transmitting-Type Remote Control System to Enable Autonomous Action of AI Robot

The demand for automation is high due to a labor shortage, but the widespread use of industrial robots is slow to progress due to their high cost. Under these circumstances, while we are promoting the development of industrial robots, we succeeded in realizing the autonomous action of a robot arm by linking the AI developed by EXAWIZARDS Inc. and a tactile pressure transmitting-type remote control system. We will continue the development aiming for actual implementation at production facilities AVATAR, which are placed in sites such as pharmaceutical and food factories.



Liquid weighing operation using a force-tactile transmission type remote control system equipped with AI

Future Potential

AVATAR X



Taisei Corporation is a member of AVATAR X, a project which aims to accelerate the utilization of Avatar technology for space-related business. The program was initiated by ANA and JAXA and launched in 2018 in cooperation with other companies and organizations. By participating in this program, we are contributing to the development of space-related businesses and advancing tactile pressure transmitting technologies for telerobotic systems.

*Robotic Avatar technology leverages various cutting-edge technologies such as VR, robotics, sensors and haptics to enable a distant operator to move in a remote location and touch and interact with objects as if they were physically present.



Civil Engineering

By properly recognizing social issues, we will try to provide our unique corporate value to our customers.

Executive Vice President, Members of the Board;
Chief of Civil Engineering Division; In charge of Safety Administration
Shigeyoshi Tanaka

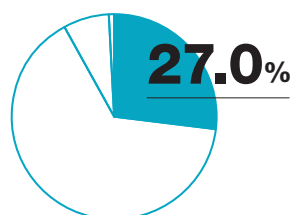
Overview of Segment ●The figures include intersegment transaction.

Sales in the Civil Engineering segment remained nearly at the same level as the previous fiscal year at ¥468.6 billion. Operating income decreased 25.8% to ¥53.0 billion due to a drop in gross profit margin.

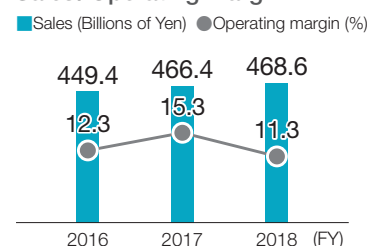
Sales
¥468.6 billion
(Up 0.5% YoY)

Operating income **▶ Operating margin**
¥53.0 billion **11.3%**
(Down 25.8% YoY)

Net Sales Composition



Sales/Operating margin



Advantages

Medium- to long-term strategies

- Industry-leading technical capabilities
- Robust worksite capabilities accumulated in difficult projects

- » It is essential to create a business foundation to resolve social issues such as the frequent occurrence of unimaginably serious disasters, changes in energy policy, obsolescence of infrastructure and labor shortage. Therefore, we will accelerate activities including work style reform, productivity improvement, reinforcement of technical and construction capabilities, reconstruction of the overseas civil engineering business and challenges in new domains.
- » As measures for productivity improvement, we will promote the utilization of T-CIM*¹ and ICT (information and communications technology) tools and outsourcing, and focus on the development of labor-saving and unattended construction technology.
- » For the reconstruction of the overseas civil engineering business, we will thoroughly manage the projects under construction to avoid mistakes and losses. In addition, by actively establishing an alliance with foreign companies, we will secure construction capabilities to compensate for our insufficient capabilities and expand the business scale.
- » We will actively tackle areas including Public Private Partnership (PPP) projects for the renovation of airports, harbors, water and sewage facilities, etc. and concession*² business. As for the energy and the environment domains, we will push forward with activities in new areas such as renewable energy and CCS*³.

Based on these strategies, we will try to provide our unique corporate value to our customers.

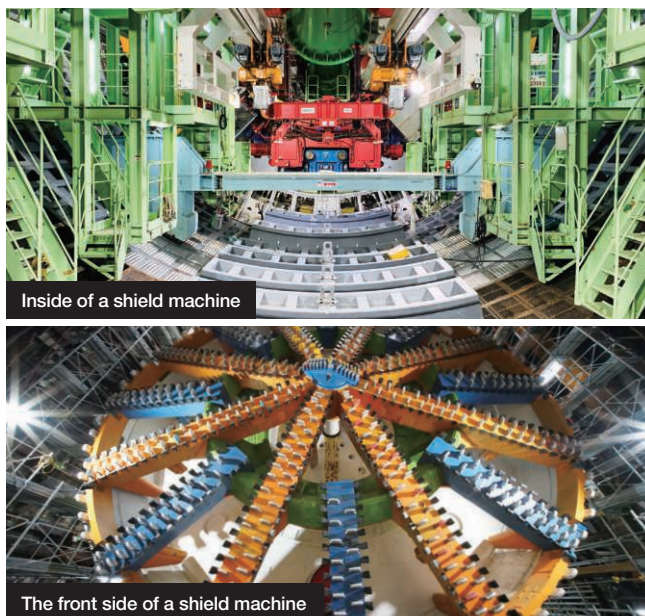
*1 It is our proprietary CIM (Construction Information Modeling) System that manages and shares construction-related information. The company is currently promoting the introduction to engineering construction sites.

*2 It means that a public entity such as the government sells the management right of an airport, water business, etc. to private companies while keeping the ownership.

*3 An abbreviation of Carbon dioxide Capture and Storage. It is technology to capture and store carbon dioxide.

Project in which Various Civil Engineering Technologies Are Gathered and Adopted

●Tokyo Outer Ring Road – Oizumi South Section of the Main Tunnel (North Bound)



It is tunnel construction to be excavated by shield machine about 7km of the north-bound tunnel from Oizumi, Nerima-ku to Kichijoji, Musashino-shi. To overcome the issues of complicated ground with alternated strata^{*4}, small soil cover^{*5}, deep-depth and high-water pressure, we gathered and employed various civil engineer technologies.

Japanese largest shield machine with a diameter of 16.1m is equipped with a tilted-type cutter head and specially reinforced bit. The tunnel was created by installing concrete pillars along the planned route in the ground, and cutting them directly with the cutter which rotates at high speed and progresses at slow speed.

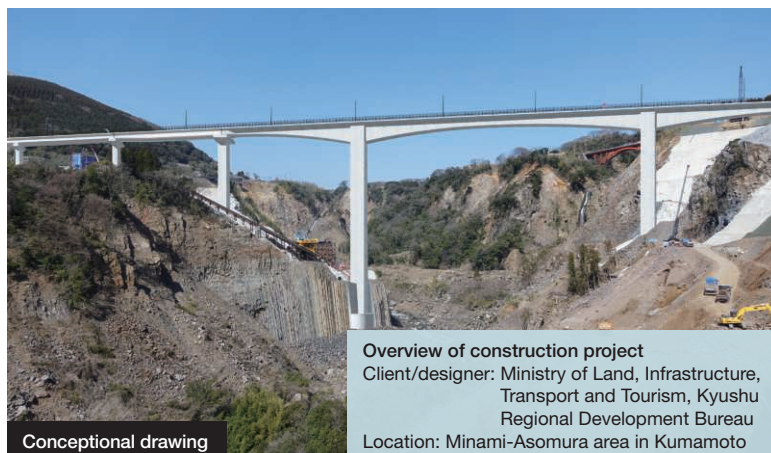
The tunnel is expected to ease congestion in the urban area, improve the environment and create a smooth traffic network.

^{*4} Strata that consist of alternated layers of different kinds of rocks and soils

^{*5} Thickness of earth, sand and bedrocks from a digging point to the surface of the ground

Disaster Recovery Construction Project for a Large-Scale Bridge which Adopted Advanced Civil Engineering Technologies

●Disaster Recovery Project of National Route 325 in Kumamoto, Aso Ohashi Bridge Upper and Lower Structure Construction



It is a construction project of the upper and lower structure of Aso Ohashi bridge, which was closed because it fell down in the Kumamoto earthquakes in April 2016. With the project, a new bridge is constructed about 600m downstream from the point where the original bridge was existed. It is a 345m-long prestressed concrete rigid frame bridge with three-span continuous girders^{*6}. Both upper and lower structures are the largest of their kind in Japan.

To meet the requirements that are unique to the Aso area including steep terrain, the preservation of columnar joints^{*7} of Tateno Gorge, and cold winter climate, we adopted various advanced civil engineering technologies including a large-scale incline device^{*8} to conduct efficient and safe construction work. While people are expecting the bridge's completion to be a symbol of the recovery, we are aiming to open the bridge in FY2020.

^{*6} A bridge whose main girders and bridge piers are combined.

^{*7} Column-shaped cracks in stones

^{*8} A device to move a wagon to transport a vessel and cargo by installing rails on slopes



Building Construction

By satisfying customers' needs and expectations with our collective strength, we keep creating value for the future.

Managing Executive Officer, Members of the Board;
Chief of Architecture & Engineering Division (Integrated);
Chief of Building Construction Division
Yoshiro Aikawa

Overview of Segment ●The figures include intersegment transaction.

Sales in the Building Construction segment increased 6.6% year on year, to ¥1,130.4 billion reflecting higher sales in the Company and its consolidated subsidiaries. Operating income fell 9.0% to ¥87.6 billion due to a drop in gross profit margin.

Sales

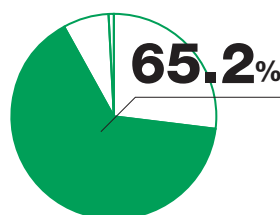
¥1,130.4 billion
(Up 6.6% YoY)

Operating income

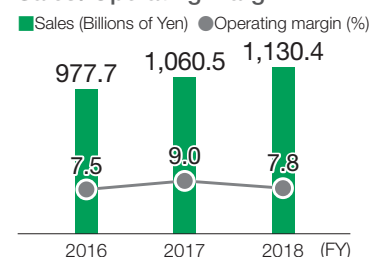
¥87.6 billion
(Down 9.0% YoY)

▶ Operating margin
7.8%

Net Sales Composition



Sales/Operating margin



Advantages

Medium- to long-term strategies

- Robust worksite capabilities that lead to customer satisfaction
- Collective strength that is created by our members who are engaged in sales, design and construction

- » Understanding customers' expectations and needs, we provide environment-friendly buildings that realize a low-carbon society and structures that are resilient to natural disasters including earthquakes and typhoons. We are reinforcing our ability related to proposals, designs, organizations, sales and technologies for the entire value chain of the Taisei Group including sales, design, procurement, construction and renewal work.
- » Through the flexible allocation of our employees, which is adjusted depending on order volume, we are trying to secure a stable construction system. In addition, we are accelerating the measures that we have been working on including the promotion of work style reform such as the improvement of productivity of design and construction with ICT and the introduction of new technologies. During FY2018, we established the Digital Product Center to improve the productivity of construction processes from design to construction and reduce the workload of worksite offices.
- » Projecting the medium- and long-term business environment after 2020, we are working on the addition of high value and the enhancement of revenue opportunities to realize sustainable growth with labor-saving technologies that utilize the IoT, AI, etc. by strengthening competitiveness to receive orders for the energy management business in ZEB/smart community* areas.

By satisfying customers' needs and expectations with our collective strengths, we keep creating value for the future.

*It is a new social system to comprehensively manage local energy demand and supply to optimize energy usage, and provide other life support services such as the monitoring of aged people through an energy management system. It uses renewable energy and technologies such as the IoT and storage battery control.

Stadium in Forest That Will Last a Hundred Years

●New National Stadium Development Project*

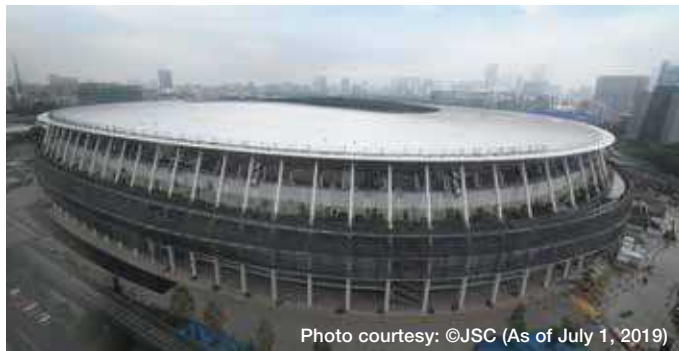


Photo courtesy: ©JSC (As of July 1, 2019)



Photo courtesy: ©JSC (As of July 2019)



©Aihara Masaaki

Overview of construction project

Client: JAPAN SPORT COUNCIL

Contractor: Taisei Corporation, Azusa Sekkei Co., Ltd., and Kengo Kuma and Associates Joint Venture

Place: Shinjuku-ku, Shibuya-ku, Tokyo

Looking ahead to the next 100 years, the New National Stadium will open to the public in harmony with the surrounding Jingu no Mori neighborhood.

Drawing on our accumulated technologies and know-how, we are currently constructing a solid stadium that will last for many years through use of highly durable, long lasting, easy-to-maintain materials and natural energy sources, and by limiting the scope of the stadium's use according to the scale of the events held. Construction is expected to be completed by the end of November 2019.

The Stadium is designed with overhanging eaves, which are one of the features of traditional Japanese buildings adapted to the Japanese climate. The eaves, made of forest-certified lumber sourced from all of Japan's 47 prefectures, are aligned with the orientation of each prefecture. Our sustainability initiatives are also attracting attention.

The National Stadium as a "holy place" for sports in Japan had witnessed many memorable competitions. Inheriting this history, the New National Stadium is being reborn as a Japanese-style stadium, transmitting the excitement that athletes and spectators create together to the world.

*After completion, the stadium will be named "National Stadium."

Creation of a Place of Hospitality Which Japan Can Be Proud of in the World

●Hotel Okura Tokyo Main Building Reconstruction Project/(Tentative Name) Toranomom 2-10 Project



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Overview of construction project

Client: Hotel Okura Co., Ltd.

Designer: (Tentative Name) Toranomom 2-10 Planning Design JV
(Taisei Corporation – Taniguchi and ASSOCIATES – KANKO KIKAKU SEKKEISHA – NIHON SEKKEI, INC. – P.T. Morimura & Associates, LTD. – NTT FACILITIES, INC. JV)

Supervision: Mitsubishi Jisho Sekkei Inc.

Location: Minato-ku, Tokyo

Hotel Okura Tokyo was established in 1962 by Kishichiro Okura, the eldest son of Kihachiro Okura, the founder of Taisei Corporation, and the second leader of Okura Zaibatsu. Inheriting the legacy that has been loved by VIPs and important guests from all over the world since its establishment, a complex of two buildings to house one of the best quality hotels in the world and offices, which represent an international city, Tokyo, will open in September 2019.



Real Estate Development

By resolving various social issues, we continue to provide new value based on local culture.

Senior Managing Executive Officer;
Chief of Urban Development Division
Katsuyuki Kanai

Overview of Segment •The figures include intersegment transaction.

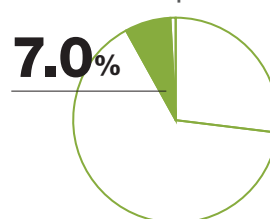
Sales in the Real Estate Development segment rose 1.7% year on year, to ¥121.8 billion.

Operating income remained nearly at the same level as the previous fiscal year at ¥12.9 billion.

Sales

¥121.8 billion
(Up 1.7% YoY)

Net Sales Composition



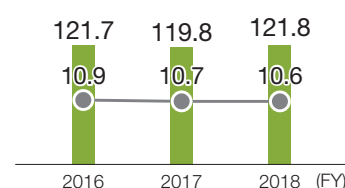
Operating income

¥12.9 billion
(Down 0.4% YoY)

▶ Operating margin
10.6%

Sales / Operating margin

■ Sales (Billions of Yen) ● Operating margin (%)



Advantages

Medium- to long-term strategies

- Proposal capability that helps to improve the value of the local community
- Ability to present solutions based on abundant experience and know-how

- » While measures to tackle the obsolescence of public buildings and reinforce the international competitiveness of urban areas have become urgent tasks, in the area of urban development, Taisei Corporation is expected to resolve social issues in cooperation with local communities.
- » We are engaged in the city redevelopment business mainly for the Tokyo area and local core cities. For large-scale private development projects such as Hotel Okura Tokyo Main Building Reconstruction Project (p.42) and New Construction of Toranomon 2-Chome District Project (p.10), we have been promoting them as a project operator.
- » As for a PPP/PFI (Private Finance Initiative) project, one of the methodologies to develop a public facility, we will strive to secure stable revenue from the facility operation business focusing on the airport concession* business such as the operation of Takamatsu Airport.
- » By utilizing the know-how accumulated through our engagement in many redevelopment projects, we are implementing a project to rebuild obsolescent apartments with Taisei-Yuraku Real Estate Co., Ltd., a project to reconstruct public housing and measures to reduce the area covered with wooden buildings with TAISEI U-LEC CO., LTD. and TAISEI HOUSING CORPORATION. In this way, by keeping close communication among group companies, we are improving the profitability of the entire group.
- » In FY2018, we established the Development Business Department (International) for expansion of the international development business focusing on Southeast Asian countries where investment demand for new development is booming.

We will keep promoting urban planning strategically, and providing urban planning solutions and new value based on the local culture by utilizing abundant know-how and networks.

*It is to enhance/reinforce an aviation network and local revitalization by integrating the management of basic facilities such as runways and airport terminal buildings for efficient operation.

New Cultural Exchange Base Was Created in the Center of Sapporo

●Sapporo Sosei Square



Overview of construction project

Client: Sapporo Sosei Sanku Kita 1 Nishi 1 Urban Redevelopment Association
 Designer: Nikken Sekkei Ltd. – Hokkaido Nikken Sekkei Ltd. JV
 Location: Sapporo-shi, Hokkaido
 Construction period: January 2015 to May 2018

Sapporo Sosei Square was created in a redevelopment project through a partnership between public and private sectors in an area with major sightseeing spots in Sapporo such as Clock Tower near Odori Station, where three subway lines stop (Namboku Line, Tozai Line, Toho Line). In addition to offices and a broadcasting station, the public complex has a theater with 2,300 seats for performing arts such as opera and Sapporo Community Plaza, which includes a library. We participated in the Redevelopment Conference in 2009. After being selected as a specific business agent in 2014, we helped bring the project to completion from project promotion to the construction phase.

Creating a Vibrant Spot in Kyoto and Helping to Improve Attractiveness and Revitalize

●Kyoto Keizai Center



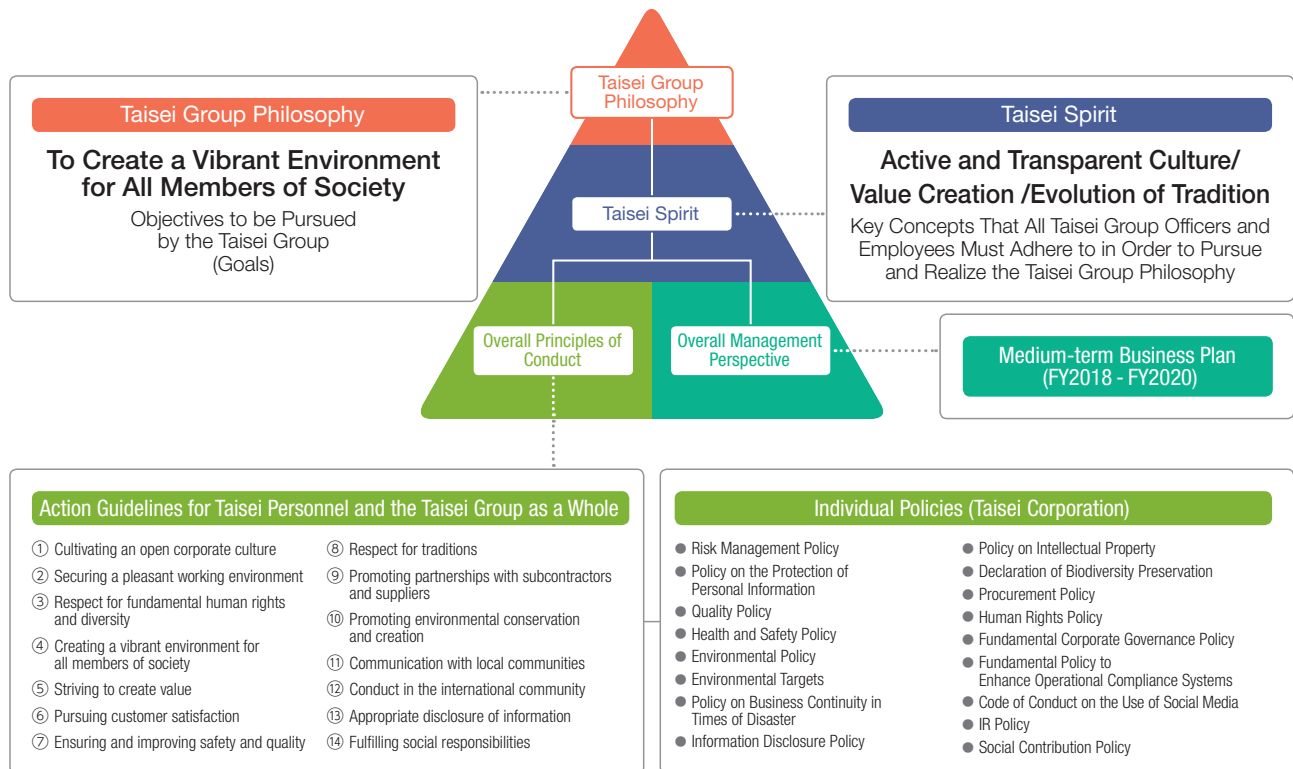
Overview of construction project

Client: Kyoto Keizai Center (Tentative Name) Joint Venture Group
 Designer: Taisei Corporation
 Location: Kyoto-shi, Kyoto Prefecture
 Construction period: April 2016 to January 2019

Kyoto Keizai Center, a large-scale complex, was built in the center of Kyoto's Shijokarasuma/Shijomumomachi area. It is a project to create a new economic base launched by an economic organization as a part of the 100-Year Plan for the Kyoto Economy. We promoted the project by cooperating with each owner of the segment, and handled the design and construction of a commercial facility (SUINA Muromachi) as well as its commercialization.

It creates a vibrant spot where many people gather and interact, and helps to improve the attractiveness of and revitalize the entire Shijokarasuma/Shijomumomachi area.

Toward the Realization of a Sustainable Society



» CSR Our Structure of Values and Policies

To pursue the Group ideal “to create a vibrant environment for all members of society,” all officers and employees share the “Taisei Spirit,” and carry out corporate actions based on the Group Action Guidelines and Individual Policies “Overall Principles of Conduct” and “Overall Management Perspective” and Medium-term Business Plan. The aim is to create new social value in the course of these actions through the wishes and expectations of our stakeholders, while being aware of the issues of sustainable society and contributing towards their resolution.

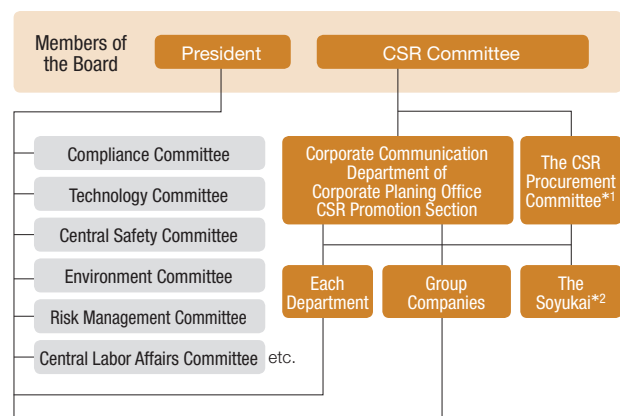
» System for Promoting CSR

A CSR Committee (5 board members and officers) has been established in the Taisei Group, with an Executive Vice President, Representative Director (Chief of Business Administration Division) as Chairperson of the Committee, and the CSR Promotion Section of the Corporate Communication Department as the secretariat.

The Committee periodically deliberates and reports on the Group's initiatives regarding non-financial aspects, mainly Environmental, Social, and Governance (ESG).

The CSR Promotion Section provides training and guidance on CSR, and exchanges opinions with the various departments and Group companies to promote CSR activities, for application in day-to-day activities. Also, discussions regarding policies, systems, and mechanisms for promoting CSR activities are carried out at business committees such as the Environment Committee.

Diagram of CSR Promotion System



*1 Composed of the Corporate Planning Office, Safety Administration Division, Building Construction Division, Civil Engineering Division and Procurement Division

*2 The organization of the Taisei Corporation's main cooperating companies

» CSR Management

The Taisei Group implements CSR management by identifying CSR issues extracted from our Overall Management Perspective and Overall Principles of Conduct, as well as the core subjects of ISO26000, the international standard for corporate social responsibility at organizations.

To define issues and push forward with activities, we respect the main global initiative, and constantly share and confirm issues and progress.

To view CSR from a global perspective and link it to sustainability-related social issues, we participate in and cooperate with CSR-related organizations such as Care International Japan (Non-profit incorporated foundation), an international NGO, which has been conducting humanitarian activities in over 90 countries around the world in accordance with CSR management frameworks including SDGs and United Nations Global Compact. In this way, we are continuously implementing CSR activities. As we publicize the activity status and results on Taisei Corporation's official website, we talk with various stakeholders to improve corporate value.

Participation in CSR-related Groups

Japan NPO Center
(Approved Specified Nonprofit Corporation)

Council for Better Corporate
Citizenship (CBCC)
(Non-profit incorporated association)

Care International Japan
(Non-profit incorporated foundation)

» Materiality

In FY2017, we reverified our material issues and KPIs, and identified eight material issues based on 21 factors selected from the perspective of CSR issues and megatrends such as SDGs.

We classified eight materialities and reclassified them into KPIs based on the negative impact and positive impact (see p.14) on corporate activities. The CSR Committee will continue to periodically review the status of KPIs and disclose information in the annual report.

Materiality Identification Process

① Selection of Relevant Issues

- Held hearings in the Taisei Group to identify issues based on ISO26000.
- Identified 21 factors that have an impact on medium- to long-term corporate value.

② Reverifying Importance of Issues

- Ranked 21 factors in order of importance for stakeholders on ESG survey forms and expert surveys.
- Analyzed factors based on medium- to long-term vision of Taisei Corporation and its management departments.
- Narrowed down 21 factors to eight issues by ESG category.

③ Determination of Material Issues

- Confirmed appropriateness of the process through dialogue with experts.
- Confirmed that there were no discrepancies with megatrends such as SDGs, United Nations Global Compact, GRI Standard (sustainability reporting guidelines)
- Final approval by the Board after deliberations by the CSR Committee.

Toward the Realization of a Sustainable Society

» SDGs Mapping

The relevance between the 17 SDG goals and ESG materiality is mapped as below:

| ESG | United Nations Global Compact | CSR Items (ISO26000) | Eight material issues and KPIs (Key Performance Indicator) ^{*1} | Scope of report | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | |
|----------|-------------------------------|---|---|--------------------|---------------------|-------------------|--|
| E | Environment | The Environment / Human Rights / Community Involvement and Development | Realization of a sustainable and environmentally friendly society <ul style="list-style-type: none"> At construction stage: CO₂ emissions per construction cost (intensity) At construction stage: Total CO₂ emissions At building operation stage: Design-build estimated CO₂ emissions Promotion of recycling construction waste: Final disposal rate Implementation of proposals that consider biodiversity: Number of proposals Zero environmental accidents (Implementation of management procedure based on "Operation Manual for Priority Environmental Issues") | Taisei Corporation | | | |
| S | Human Rights / Labour | Labor Practices / Consumer Issues | Ensuring quality and improving technology <ul style="list-style-type: none"> Customer satisfaction (Civil Engineering) Customer satisfaction (Construction) Productivity (Net sales/number of employees working at construction sites) | | | | |
| | | Fair Operating Practices / Consumer Issues | Technical development for realizing a sustainable society <ul style="list-style-type: none"> Number of patent applications filed Number of patent rights registered | | | | |
| | | Fair Operating Practices / Human Rights | Promotion of supply chain management <ul style="list-style-type: none"> Average implementation rate of companies where CSR activity survey was conducted | | | | |
| | | Labor Practices | Thorough management of labor safety and sanitary conditions <ul style="list-style-type: none"> Number of fatal accidents | | ● | | |
| | | Labor Practices / Human Rights / Consumer Issues | Cultivation of technical staff and securing human resources <ul style="list-style-type: none"> Average overtime hours per month Construction Career Up System Worksite registration rate Number of female engineers | | ● | ● | |
| | | Labor Practices / Human Rights | Realization of an attractive working environment that is good to work in <ul style="list-style-type: none"> Number of female managers Turnover rate of employees within three years of hiring Rate of taking childcare leave by males | | ● | ● | |
| G | Anti-Corruption | Organization Governance / Fair Operating Practices / Human Rights / Consumer Issues | Promotion of compliance <ul style="list-style-type: none"> Number of major information security accidents "Corporate ethics helpline" and "Group helpline" response rate | Taisei Group | | | |

*1 See p.108 for the scope and definition of KPIs.

● The mark indicates mainly the concerned SDGs.

Mapping of the Sustainable Development Goals

| | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|--|------------------------------------|-------------------------------------|---|---|-------------------------------|---|--|-------------------------|---------------------------|-----------------------|--|-------------------------------------|
| | ● | ● | ● | ● | | ● | ● | ● | ● | ● | | ● |
| | | | ● | ● | | ● | | ● | | | | ● |
| | | ● | | ● | | ● | | | | | | |
| | | | ● | ● | | ● | ● | ● | | ● | | ● |
| | | | ● | ● | | ● | ● | ● | | | | |
| | | | ● | ● | | | | | | | | ● |
| | | | ● | ● | ● | | | | | | ● | ● |
| | | | ● | ● | ● | | ● | | | | ● | ● |

Realization of a Sustainable and Environmentally Friendly Society

By improving and applying environmental technology, the Taisei Group is striving to achieve the 2050 Environmental Targets “Sustainable and Environmentally Friendly Society” involving the entire value chain in unity.

Promotion of Environment Management Activities

We established the Environmental Policy to work on the formation of high-quality social capital through our corporate activities having the construction business as the core in harmony with nature under the Taisei Group's philosophy, “To create a vibrant environment for all members of society.” Based on this policy, we set up the 2050 Environmental Targets and identify ESG materiality, and clarify our position to help reduce the burden on the global environment.

PDCA for Environment Management System Based on ISO

We are operating an environment management system (EMS) based on ISO14001:2015.

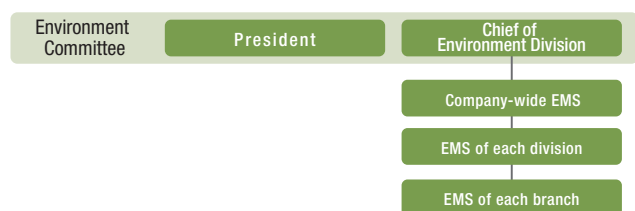
By conforming to environment-related laws and regulations, and participating in organizations and initiatives related to climate change such as CDP* Japan, we identify risks and opportunities among social requirements related to climate change, etc., internal and external environmental issues and needs. To achieve the Environmental Targets established from a long-term viewpoint, we aim to improve the activities continuously by using the PDCA cycle for EMS. In this way, we also provide value to our stakeholders, and generate business opportunities.

EMS's Organizational Frameworks

Environment strategies including the Environmental Policy and the medium- to long-term targets are deliberated on by the Environment Committee, and reflected in the company-wide EMS activities.

The committee is chaired by the President, and consists of committee members including members of the board. It holds a meeting four times a year. We also use the meeting committee structure for group companies to share the know-how in environment management and implement measures as the whole group.

EMS Organization (ISO14001)



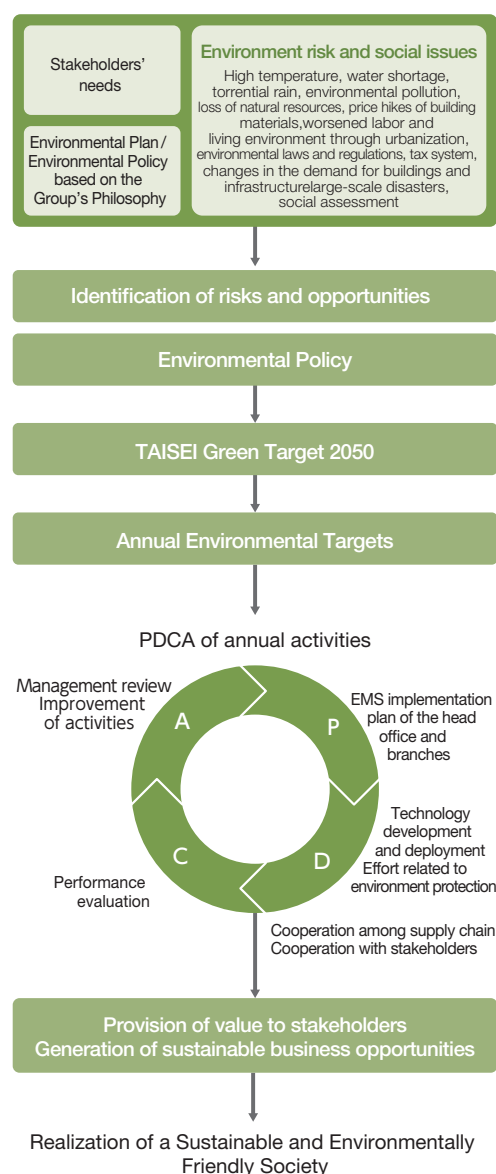
Other organizations: Central Safety Committee,
Energy-Saving Promotion Committee,
Taisei Group Environment Promotion Council

ISO14001 certification

- Scope: The head office and all 13 branch offices (certified rate: 100%)
- Certification registered in 1998

* It is a non-profit organization based in the U.K., and it sends questionnaires on environmental strategies and greenhouse gas emissions to major companies in the world, analyzes and evaluates the replies, and publicizes it for investors.

Internal/External Issues and Needs of the Organization



For the Realization of a Sustainable and Environmentally Friendly Society

As we can see from the adaptation of the Paris Agreement, which received much attention in the world, and SDGs, international society is accelerating the movement toward achieving a sustainable and environmentally friendly society. Based on this trend, in 2018 we identified important ESG issues (materiality) which contribute to the achievement of SDGs. We also reviewed our medium- to long-term goal, 2050 Environmental Targets (TAISEI Green Target 2050) based on environmental issues such as climate change, recycling of resources, co-existing with nature and environment pollution risk. As the entire group, we are striving to accomplish the “Realization of a Sustainable and Environmentally Friendly Society.”



Activities to Reduce Environmental Impact, TAISEI Sustainable Action (TSA)

Taisei Corporation is promoting company-wide activities to reduce environmental impact, such as by promoting paperless meetings, adopting LED temporary lights, ensuring energy-saving operation of heavy machinery and vehicles, using hybrid-type heavy machinery, utilizing renewable energy and arranging a green environment that pays attention to people's wellness, under the name of TAISEI Sustainable Action.

Through the promotion of TSA, we are reducing greenhouse gases (CO₂) by improving the efficiency of energy usage for the construction phase at all worksite offices and utilizing renewable energy.

Moreover, to have employees and many people involved in construction recognize the importance of reducing environmental impact, we distribute “The Guideline for the Achievement of Targets,” which presents detailed examples to demonstrate the relationship between environmental impact reduction and the improvement of productivity. We also established a new award system to evaluate ideas about environment activities, which can be used as a model, as well as ambitious challenges. In this way, we aim to achieve Environmental Targets.

For material flow and the annual Environmental Targets, please refer to the website.

WEB » <https://www.aisei.co.jp/english/csr/performance/iso26000/environment/>

Realization of a Sustainable and Environmentally Friendly Society

For the Achievement of a Low-Carbon Society (Risks and Opportunities)

There has been an increasing trend of high temperatures, larger typhoons, and the occurrence of disasters due to extreme torrential rain in recent years and they are environmental risk factors that would stop or delay construction in the construction industry. However, to resolve and cope with these factors with technology and measures, the industry could generate business opportunities such as by reinforcing infrastructure related to ZEB (Zero Energy Building), which could mitigate the effect of climate change, and corresponding measures. Taisei Corporation pays attention to the short- to long-term effect of climate change by referring to the proposals of the Task Force on Climate-related Financial Disclosures (TCFD) to identify risks and opportunities, and utilize them for various EMS (Environment Management System) activities.

Major Results in FY2018

● SBT Certification and Medium and Long-Term Activities

Taisei Corporation's greenhouse gas reduction target was certified by Science Based Targets (SBT), an international initiative. Our CO₂ emission reduction target for 2030, which is a benchmark of Environmental Target 2050, was recognized as having a scientific basis, and contributes to the achievement of the target of the Paris Agreement to keep the temperature to less than two degrees Celsius above the level before the Industrial Revolution.

Through the popularization of ZEB and environmentally friendly designs for customers, we have been working on reducing environmental burden and CO₂ at working sites in Japan during construction by establishing CO₂ reduction intensity targets (compared with the value of finished work) for the building operation stage (Scope 3) and construction stage (Scope 1+2). Our 2030 target certified by SBT was reflected in the annual Environmental Targets. To achieve the targets, in addition to implementing TSA (see p.50), we will cooperate with various stakeholders including supply chain partners and customers to reduce the emission amount.

Taisei Corporation's SBT:
 Reduce Scope 1+2 emissions (CO₂ at construction stage) by 26% by 2030
 Reduce Scope 3 emissions (CO₂ at building operation stage) by 25% by 2030
 Note: Both are a comparison to those of FY2013. As for FY2019, please refer to the KPIs below and p.50.



● CO₂ Emission Volume by Scope (Non-Consolidated)

| 10 ³ t-CO ₂ | Scope 3 (upstream) | Scope1+2 | Scope 3 (downstream) |
|-----------------------------------|--------------------------|----------|----------------------------|
| GHG protocol standard* | Category 1 to 8 2,400 | 236 | Category 11 to 12 3,400 |

* International standard for the calculation and reporting of greenhouse effect gas (GHG) emissions

See the website for the status of the past fiscal years.

WEB » <https://www.taisei.co.jp/english/csr/performance/iso26000/environment/>

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|--|----------------|----------------|----------------|--------------------------------------|
| At construction stage: CO ₂ emissions per construction cost (intensity)* ¹ | 25% | 28.9% | 26% | Environment Division |
| At construction stage: Total CO ₂ emissions* ¹ | 51% | 44.7% | 51% | |
| At building operation stage: Design-build estimated CO ₂ emissions* ¹⁺² | 38% | 40.2% | 39% | |

*¹ Base years for CO₂ emissions targets: FY1990

*² Including dissemination and promotion of ZEB

For the Achievement of a Recycling Society (Risks and Opportunities)

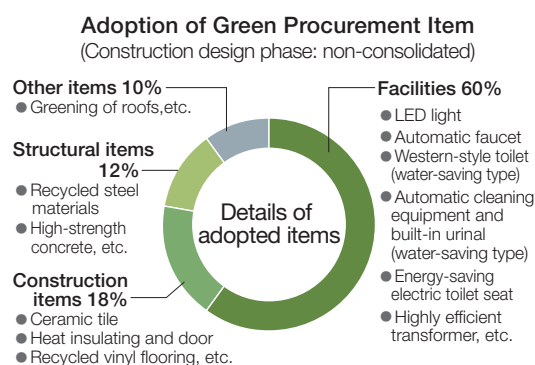
Most of the materials used for the construction business are limited natural resources. Japan imports most of the raw materials. Therefore, when the supply of materials becomes unstable due to a disaster caused by an extreme climate, it may create a significant risk to business continuity. By promoting green procurement, Taisei Corporation aims to achieve a recycling society by considering the life cycle of selecting materials from the building design stage and providing technology that enables buildings to last many years.

Major Results in FY2018

● Recycling and Effective Utilization of Resources Based on Green Procurement Guideline

In 2001, the Taisei Corporation Green Procurement Guideline was established and put into effect to promote the use of materials, equipment and building methods that have small environmental burden during the design, construction, operation and demolition of structures.

By referring to and reflecting the content of the Green Purchase Law (the law concerning the promotion of procurement of eco-friendly goods and services by the state and other entities), we review the subject items every year. In FY2018, 94 items were included in the guideline. Company-wide application of the guideline could achieve not only the recycling of resources but also energy-saving, a reduction of CO₂ emissions, resource-saving, non-use of toxic substances and the preservation of the natural environment. Through CSR procurement, we are also promoting environmental consideration for procurement when we work with suppliers.



● Recycling of Waste Plastic

Waste plastic such as building and wrapping materials generated in the construction process are strictly sorted for specialist waste disposers to recycle properly. (Large forming material may be melted with a solution to reduce the volume to be treated. In addition, we are implementing measures to utilize waste plastic by combining it with waste wood products and creating an artificial recycled wood product.)



Taisei Corporation supports the Plastic Smart Campaign by the Ministry of the Environment.

● Recycling and Effective Utilization of Resources at Worksites

The emission volume of construction waste varies depending on the scale and type of construction. In general, the bigger the construction is, the larger the amount of waste becomes. However, most of the waste is strictly sorted and transported by specialists. Then, it is treated by removing dirt which became attached after construction and recycled. The ratio of the final disposal of the emitted waste, such as disposal at the final waste disposal site, is less than 4%.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|--|----------------|----------------|----------------|--------------------------------------|
| Promotion of recycling construction waste: Final disposal rate | 3.7% | 3.4% | 3.4% | Environment Division |

Realization of a Sustainable and Environmentally Friendly Society

For the Achievement of a Society That Co-Exists with Nature (Risks and Opportunities)

There is always a concern that construction would significantly affect the surrounding environment including nature. During the planning phase, we extract risks such as the violation of environmental laws and regulations as well as opportunities including chances to add value. We pay attention to biodiversity until the operation and management support phase after construction, and provide solutions to create a rich environment to customers. We will contribute to the achievement of a society that cohabits with nature by properly evaluating the value of natural resources to utilize for the development of infrastructure and buildings and reducing the influence of construction.

Major Results in FY2018

● Biodiversity-Conscious Research, Planning, Construction and Monitoring

With Ecological Planning, our proprietary environment planning technology, Taisei Corporation contributes to the realization of a society that co-exists with nature by analyzing the natural environment of construction sites and surroundings, carrying out planning based on predictive estimates and monitoring the construction and post-construction status. In addition, based on our long years of experience, we developed “Ikimono Concierge,” a tool that conducts a predictive estimation of animals that could be introduced to a planned site and “Mori Concierge,” a tool to select plants suitable for the environment of a planned site. Using these tools, we provide high-quality proposals that contribute to cohabitation with nature.

● Consideration of Biodiversity for Proposal

During civil engineering construction, there are many chances to face the natural environment. Therefore, we propose measures to protect endangered animals and plants and avoid having an influence on them considering biodiversity. As for construction, our biodiversity evaluation tools such as Ikimono Concierge and Mori Concierge are effectively used for greening plans at construction sites or for redevelopment projects.



IKIMONO-Concierge

● Implementation of Activities to Contribute to Environment and Society in Cooperation with Various Stakeholders

The direction of the measures for biodiversity is presented with the Environmental Policy and Declaration of Biodiversity Preservation. We are proceeding with company-wide activities to reduce environmental impact by utilizing our own Biodiversity Guideline. Not only for business-related considerations for biodiversity but also as nature and environmental education program for employees and their families including those of group companies, we have been conducting volunteer activities to create nest boxes for dormice and Tokyo Greenship Action, which is nature conservation program hosted by Tokyo in cooperation with the Animal Pathway Research Society and Animal-pathway & Wildlife Association over 10 years. Moreover, since 2011, we have been supporting REDD+ project to preserve forests in the Philippines and Kamaishi Forest Owner's Association to regenerate forests affected by the Great East Japan Earthquake and forest fire.



Volunteer activities to make dormouse nest boxes

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---|----------------|----------------|----------------|--------------------------------------|
| Implementation of proposals that consider biodiversity: Number of proposals | 30 cases | 35 cases | 30 cases | Environment Division |

For the Achievement of a Society Where Safety is Secured (Risks and Opportunities)

Environment pollution caused by construction has a significant impact on the surroundings and society. Compliance with environmental laws and regulations is always one of the most important environmental issues. We keep contributing to the reduction of environmental risks of society by promoting the proper management of construction waste, the development of new technologies and measures to cope with the regulations for soil pollution which are expected to become stricter than now.

Major Results in FY2018

● Risk Measures at Worksites

With a worksite environment patrol, the Environment Department of the head office and branches conduct an internal audit to check the observance of the environment law at worksites. As for the findings, we establish corrective and preventative measures for continuous improvement. At a worksite, based on the Environment Management manual, we provide environmental education to our employees and specialized contractors. By sharing the cases that could result in an environmental accident, issuing notifications of the proper management of toxic substances such as asbestos and PCB, and reinforcing adequate control and treatment of polluted soil, we have been raising awareness of the importance of environment management and the prevention of environment-related accidents. In FY2018, there were no environmental accidents or violations of environmental laws and regulations.

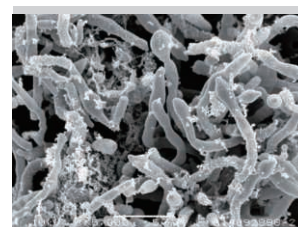
● Complaint to Worksites and Handling Thereof

We take proper measures regarding environment-related complaints addressed to a workplace, make a record and report using a communication sheet based on an EMS procedure and share the information horizontally among concerned departments or within the entire company as required. In addition, we are properly handling comments given by citizen groups.

| Type | Measure (Example) |
|-----------------|---|
| Noise | In response to a complaint about the noise generated with machinery work such as tunnel drilling or that at the temporary yard for crushed stone, we implemented noise-proof measures and arranged working hours. |
| Water pollution | Hydraulic oil was discharged to the drains of a factory. We eliminated the oil using oil absorption material, and installed polluted water treatment equipment for the water discharged to the drains. |
| Vibration | In response to a complaint about the vibration caused by drilling, we slowed down the speed of heavy machinery. |
| Dust | In response to a complaint about the dirt that came off from construction vehicles on a public road, we cleaned the road and tires of the construction vehicles. |

Topics • The World's First 1,4-dioxane Biological Treatment Technology

1,4-dioxane is a chemical substance which is widely used as a solvent in the chemical industry. However, it was revealed that it has an effect on the human health and biology. Currently, it is a restricted substance of the environment and wastewater standards related to the pollution of groundwater defined by the Ministry of the Environment. However, it does not dissolve readily. Therefore, chemical treatment such as the accelerated oxidation treatment method which uses multiple kinds of oxidizer had been employed. However, the environmental burden and cost of the treatment had been a serious issue. We searched for 1,4-dioxane-degrading bacterium from various environments, and found a new bacterium to degrade 1,4-dioxane effectively. We have established a water treatment process using the degrading bacterium, and completed verification using polluted groundwater and factory wastewater. The technology is receiving attention from industries and academic circles. We received many honorable awards including "The 32nd (FY2018) Fuji Sankei Business i. Advanced Technology Award, Special Prize."



1,4-dioxane-degrading bacterium

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---|----------------|----------------|----------------|--------------------------------------|
| Zero environmental accidents (Implementation of management procedure based on "Operation Manual for Priority Environmental Issues") | 0 cases | 0 cases | 0 cases | Safety Administration Division |

Ensuring Quality and Improving Technology

While we keep providing high-quality construction products and related services efficiently, we promote technologies by research and development that satisfy advanced social needs.

Major Results in FY2018

● Customer Satisfaction Survey

Based on the Quality Policy, we established and operate a quality management system based on ISO9001, and provide safe construction products and after-sales services that make customers feel comfortable. After the delivery, we conduct a customer satisfaction survey. In addition, we have been implementing “TAISEI QUALITY” activities since 2009 in conjunction with the quality management system to ensure thorough awareness of the quality management standards and procedures within the entire Group.

The results of the customer satisfaction survey of FY2018 showed a satisfaction rate of 96% (last fiscal year 95%) and 92% (last fiscal year 90%) for the Civil Engineering Division and the Building Construction Division, respectively. Both rates are on a rather upward trend compared with last fiscal year. We will keep sharing research results, and eliminate complaints through cooperation between the head office and branches.

● Leveraging ICT Strengths to Realize Immediately Effective Productivity Improvements

Since FY2017, Taisei Corporation has been pursuing an initiative aimed at productivity improvement and technological innovation based on ICT, under the name “Taisei i-innovation®”(see p.37). We are striving to implement this initiative company-wide, with approximately 80 employees responsible for its promotion assigned to the head office and branches. At construction sites, we are working to make maximum use of our ICT strengths as the most immediately effective measure for improving production capacity. We have also developed and established an Internet-based platform, which we have expanded in line with ICT progress and social demands. It is now one of our strengths that an operational style using ICT has been well established at all construction sites.

Specifically, we have steadily introduced programs including Worksite Net, an information-sharing network that can be used by both in-house and external parties involved in projects focused on worksite offices, and Field Pad®, an app linked to Worksite Net that allows construction management information to be browsed and recorded even when the user is not in the office.

By continually implementing these kinds of measures, we have been improving productivity. We recorded a productivity score of 111* (last fiscal year 107) (Net sales/number of employees working at construction sites) in FY2018.

Named “TAISEI i-Innovation®” and Being Promoted in Japan

ICT Seminar



Not only at domestic and overseas construction sites, it has also been promoted for all tasks in the back office to support construction sites, technology research and development divisions and administration divisions in Japan.

Electronic field book application Field Pad®



It is used for construction management tasks such as saving construction record photos and reporting at construction sites. It reduces working hours and improves productivity.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|--|----------------|----------------|----------------|--|
| Customer satisfaction (Civil Engineering) | 100% | 96% | 100% | Civil Engineering Division Building Construction Division |
| Customer satisfaction (Building Construction) | 100% | 92% | 100% | |
| Productivity (Net sales/number of employees working at construction sites) | 110 | 111 | 110* | |

* The actual result for FY2016 is set at 100. 110 is the target for the end of FY2020.

Technical Development for Realizing a Sustainable Society

To create an environment where people and nature live together, and rich culture is nurtured, by fully utilizing accumulated research results and know-how, we conduct new technology development.

Major Results in FY2018

● Results of Research and Development Activities

For stable and successive growth, we are promoting technology development focusing on renewal, replacement, nuclear power, the environment, engineering and urban development areas.

To cope with the advancement and diversification of technical needs and improve the return on investment on technology

development, we actively promoted research and development projects by conducting open innovation activities through an alliance with external parties including universities, companies of the same and different industries, etc.

As for intellectual property such as inventions created through research and development and brands, we proactively obtain rights and utilize them based on intellectual property strategies. In 2017, we were ranked 18th (89.5%) in the patent granted rate versus the number of applications (Tokkyo Gyosei Nenji Hokokusho [Annual Report for Patent Administration] 2018). We would like to contribute to society by developing new technology, offering technical support at construction sites and utilizing intellectual property based on a combination of business, research and development, and intellectual property strategies.

| Research and development expenses (Consolidated) | | |
|--|---------------|---------------|
| FY2016 | FY2017 | FY2018 |
| ¥11.1 billion | ¥11.6 billion | ¥12.4 billion |

● Patent Ownership Status

Regarding the technologies to resolve social issues, staff members at the Technology Center visit each worksite office every year to look for technologies which we could potentially obtain a patent for, and acquire the rights for such technologies. In FY2018, we obtained patents for an energy-saving daylighting device and unit-type lighting device that has air-conditioning and illumination cooling functions.

We will keep working on the development of technologies to resolve social issues, and retain strategic intellectual property rights in a wide range of fields.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|-------------------------------------|----------------|----------------|----------------|--------------------------------------|
| Number of patent rights registered | 180 cases | 250 cases | 180 cases | Taisei Technology Center |
| Number of patent applications filed | 230 cases | 213 cases | 230 cases | |

Topics • Taisei Corporation's Social Contribution Activities: Support for Researchers

“The Taisei Foundation” (General Incorporated Foundation)

We established The Taisei Foundation (general incorporated foundation) in March 2017. To support researchers who realize the Group's philosophy, “To create a vibrant environment for all members of society,” we provide funds for academic research in fields including construction, civil engineering, development, energy, the environment, and disaster prevention. This is to support technology development for the next generation and improve construction technologies in Japan, and contribute to the progress of academic research.

The foundation publicly invites researchers who wish to be subsidized once every year. From FY2017 to 2019, we had 217 applications as the three-year total. We selected 36 projects to grant subsidies to, and provided about ¥97 million as subsidies. This fall, the results of 13 research projects which received FY2017 subsidies will be presented. It will be open to the public, and the research results will be widely publicized.

Promotion of Supply Chain Management

To exercise CSR as an entire supply chain, we promote CSR procurement activities in cooperation with our suppliers by gaining the understanding and cooperation of our business partners regarding our Procurement Policy.

Major Results in FY2018

● Promotion of CSR procurement

To improvement suppliers' awareness of CSR procurement, we are conducting the following measures:

① Implementation of CSR Activity Survey

We summarized the matters that we want our business partners to know and observe as the "Procurement Guideline" (established in 2014), and request them to conduct CSR activities based on the guideline.

As we implemented in FY2016, in FY2018, we conducted a questionnaire survey to check the status of our business partners' CSR activities. We expanded the survey target from about 500 members of Soyukai, an organization for core subcontractors, to about 1,000 business partners with whom we consistently deal, and improve the awareness of a wider range of business partners.

Moreover, we are reinforcing the CSR activities of the entire supply chain. For example, we visited about 20 companies to exchange opinions with the president. We also requested them to improve their CSR activity implementation ratio, and raise awareness of their business partners through guidance.

Procurement Guideline (Summary)

1. Compliance with laws, regulations and public morals
2. Impartial and fair transactions
3. Respect for human rights
4. Promotion of safety and hygiene
5. Environment protection activities
6. Assurance and improvement of safety and quality
7. Information disclosure
8. Reinforcement of information security
9. Social contribution activities
10. Business continuity at the time of a disaster
11. Promotion of CSR procurement

② Survey on the Foreign Technical Intern Acceptance Status

To cope with the recent increase of foreign technical interns, we conducted a questionnaire and interview to confirm the labor environment and management system of foreign technical interns hired by our business partners. While we received replies from about 150 companies, we did not find any cases where a violation of laws and regulations is suspected and any cases of an insufficient management system.

③ Human Rights Traceability*1 Survey to Material Suppliers

For 43 major material suppliers that handle raw materials which are associated with environmental burden or are sourced in developing countries, we conducted a questionnaire survey to understand their supply chain and check if the overseas companies of their supply chain are abusing human rights through forced or child labor, infringing the rights of indigenous people or conducting illegal acts.

With the survey, we confirmed the status of almost the entire supply chain from original raw material suppliers to worksites for raw materials such as wood, stone and iron, and found no foreign companies of their supply chain engaged in the violation of human rights and illegal activities.

④ CSR Procurement Seminar for Overseas Subsidiaries

We conducted a CSR procurement seminar and interview for employees and local specialized contractors at our overseas subsidiary in Vietnam, Vinata International, and 13 people from 11 specialized contractors including business owners attended.



Overseas CSR Procurement Seminar (Hanoi, Vietnam)

⑤ Explanation of CSR Procurement by Chief of Branch

Each Chief of all 13 branches in Japan took opportunities such as the Safety Conference, explained the importance of CSR procurement to business partners and asked for their corporation in the promotion of activities.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|--|----------------|----------------|----------------|--|
| Implementation rate of companies where CSR activity survey was conducted | 70% | 74.2% | —*2 | Corporate Communication Department (CSR Promotion Section) |

*1 To make a production history and distribution channel traceable

*2 No questionnaire survey for subcontractors will be conducted in FY2019 (biennial implementation)

Thorough Management of Labor Safety and Sanitary conditions

By setting out “Safety First” and reinforcing labor safety and sanitation management, as the entire company, we are trying to arrange and improve a safe and sanitary environment that allows people to work at ease.

Major Results in FY2018

● TAISEI OHSMS

Based on the labor safety and sanitation management system, “TAISEI OHSMS,” we properly implement and operate the PDCA (plan–do–check–adjust) cycle to conduct risk assessment and take necessary measures based on it. To continuously improve the safety and sanitation level, we make sure we reduce risks at workplaces, and provide safety education to the concerned people at construction sites.

In 2018, to keep reinforcing safety and sanitation management based on TAISEI OHSMS, we conducted construction site patrols and provided safety education to workers.

● Improvement of Safety and Sanitation Level

The safety record of the company in 2018 was 52 accidents that require time off from work, of which 40 were accidents entailing four or more days off work and two fatal accidents. The frequency rate was 0.42.

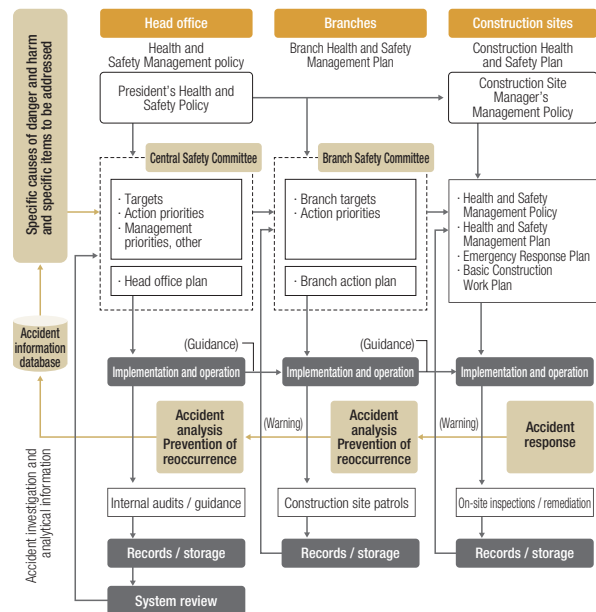
In 2019, we have again set the targets as follows:

- “Zero fatal accidents” (Shift from recurrence-prevention safety management to preventative safety management)
- “Zero serious accidents” (Prevention of accidents with significant social impact, fire, etc.)

We will promote various measures to achieve the targets.

● Support of Safety Education of Specialized Contractors (Cooperative Companies)

By working closely with the Taisei Health, Safety and Environment Cooperation Association, comprising cooperative companies in Japan, we make efforts to prevent accidents and disasters. The members of the association participate in the Safety Conference held in January and Safety Promotion Conference in June every year. To prevent accidents and disasters, we utilize a bulletin, “Kyoryoku (Corporation)” and a list of disastrous cases for the education and guidance of safety and sanitation management.



Labor accident occurrence ratio

| | 2016 | 2017 | 2018 |
|---|------|------|------|
| Ratio of construction companies | 1.61 | 1.65 | 1.66 |
| Ratio of the Company (non-consolidated) | 0.47 | 0.41 | 0.42 |



The President's patrol

The award ceremony for worksites, specialized contractors, and foremen's associations that have made achievements in the field of safety and health.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---------------------------|----------------|----------------|----------------|--------------------------------------|
| Number of fatal accidents | 0 projects | 2 projects | 0 projects | Safety Administration Division |

Cultivation of Techniacal Staff and Securing Human Resources

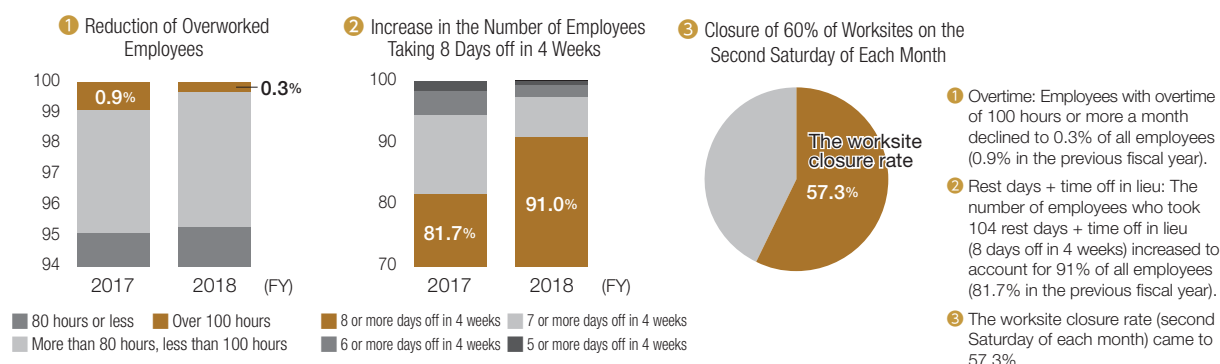
In an aim to establish a construction business that is attractive for younger generations, Taisei Corporation focuses on improving its workplaces and working conditions and strives to further strengthen measures to secure and develop human resources.

Major Results in FY2018

● Initiatives to Correct Long Working Hours

Taisei Corporation formulated a roadmap for correcting long working hours that runs up until FY2024 and has set targets for “health management overtime,” “rest days + time off in lieu” and “closure of work sites” in phases for each fiscal year (see p.17).

In addition, to promote awareness reforms and behavioral changes by employees, all employees take part in discussing and implementing specific initiatives according to the circumstances of their respective workplaces. Activities that have proven to be effective for reducing working hours are implemented across the company and initiatives are taken to have such activities take root as ongoing activities.



● Promotion of Construction Career Up System (CCUS)

In reinforced coordination with cooperating companies, we are promoting the introduction, popularization and promotion of CCUS, which registers and promotes the transparency of skills, experience and qualifications of each construction worker and the status of enrollment in social insurance programs under uniform rules of the industry.

Under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism, relevant organizations in the construction industry, such as the prime contractors' organization, specialty contractors' organization, housing industry association, and construction workers' association, have been working together and promoting CCUS as an important infrastructure that leads to securing human resources for the future and improving the working conditions of skilled construction workers. Following a limited operation from January 2019, the system went into full-scale operation in April. Taisei Corporation has been working to popularize this system by expanding the scope of applicable work sites for registration from the initial plan (as a general rule, work sites with a construction value of ¥100 million or more), and the work site registration rate has already significantly exceeded the 60% target set for the end of September 2019. We will continue to work on enlightening cooperating companies so that progress is made with the registration of business operators and technicians and promote popularization of CCUS.

● Promotion of Women's Participation and Advancement

Taisei Corporation expressed support for the “Declaration on Action by A Group of Male Leaders Who Will Create a Society in which Women Shine” announced by the Gender Equality Bureau Cabinet Office in April 2017 and has been supporting the empowerment of females. Female technical staff members at Taisei Corporation account for 9.1% of all technical staff, and the number of female technical staff increased from 621 in the previous fiscal year to 663. In addition, the number of female employees at our work sites increased from 140 in FY2014 to 188 in FY2018. We will continue to promote the participation and advancement of females not only at our work sites but also in all areas of the Company and make efforts to establish career paths attractive for females.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---|----------------|----------------|----------------|--|
| Construction Career Up System Worksite registration rate* | | | 60% or more | Civil Engineering Division Building Construction Division |
| Average overtime hours per month | 35 hours | 37.8 hours | 35 hours | Human Resources Department |
| Number of female engineers | 640 persons | 663 persons | 690 persons | |

* The ratio of total net sales of registered worksites against the total net sales. The target set for September 2019 is 60% or more. The system went into full-scale operation from April 2019.

Realization of an Attractive Working Environment That Is Good to Work in

Taisei Corporation pursues the development of human resources and promotes active participation of workers in an aim to realize a workplace in which all employees can fully demonstrate their skills and work with enthusiasm by taking advantage of their diversity in terms of gender, nationality, disability, values, working styles and career.

Major Results in FY2018

● Diversity and Inclusion*¹

The number of females that participated in the female leaders training conducted as part of the measures to promote female empowerment was 166 and the number of participants in the diversity management training for managerial levels was 470. We help employees flexibly select the working style that meets their lifestyles by using systems such as job return*², flex working hours, and telework. We also promote the use of a sign language interpreter, UD Talk (a communication supporting application that makes conversations transparent) and put in place a consultation window, etc. and we currently have approximately 140 employees with disabilities taking active roles.

● Improving Retention Rate of Young Employees

We strive to eliminate the mismatching of employees and jobs through measures such as providing detailed job descriptions during the recruitment screening process, visiting construction sites and actively receiving interns. We also work to retain employees by striving to create a pleasant working environment through periodically holding interviews with young employees after they join the Company and taking other steps.

● Improved Childcare Leave Usage Rate by Male Employees

Since July 2016, we have been targeting a childcare leave usage rate by male employees of 100%. As a result of implementing various measures, including the sending out a message from the President and enhancing the childcare leave system, the childcare leave usage rate by applicable male employees reached 94.2% and the average number of days taken was 5.8 as of March 31, 2019.

Topics • Implementation of Virtual Reality Experience-Based Nursing Care Seminar

To support employees who have worries about balancing work and nursing care, we hold a virtual reality experience-based nursing care seminar several times a year in which employees can participate with their family members. We are also proceeding to enhance our support systems, including nursing care holiday and nursing care leave.

KPIs (Key Performance Indicators)

| (Non-consolidation) | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---|----------------|----------------|----------------|--------------------------------------|
| Number of female managers | 130 persons | 167 persons | 180 persons | Human Resources Department |
| Turnover rate of employees within three years of hiring* ³ | 4% | 5.4% | 4% | |
| Rate of taking childcare leave by males | 100% | 94.2% | 100% | |

*1 Diversity is the concept of accepting different types of people. Inclusion refers to the concept of making use of different characters.

*2 The system of rehiring former employees based on their wishes.

*3 The turnover rate of new graduates in general and expert positions.

Governance

Promotion of Compliance

In an aim to become a company which truly gains the trust of society and which customers feel comfortable doing business with, Taisei Corporation implements various measures to encourage each and every officer and employee to demonstrate awareness and autonomy.

(For details, please see pp.71 – 74.)

KPIs (Key Performance Indicators)

| | FY2018 targets | FY2018 results | FY2019 targets | Department responsible for promotion |
|---|----------------|----------------|----------------|--------------------------------------|
| Number of major information security accidents* ³ | 0 cases | 0 cases | 0 cases | Information Planning Department |
| "Corporate ethics helpline" and "Group helping" response rate* ⁴ | 100% | 100% | 100% | General Affairs Department |

*3 Number of accidents publicly announced by Taisei Corporation and its eight major Group companies.

*4 The scope of numbers includes Taisei Corporation and its 21 Group companies.

Corporate Governance

» Basic Policy for Corporate Governance and Management Systems

Based on our Group Philosophy of “To Create a Vibrant Environment for All Members of Society (objectives to be pursued by the Taisei Group; goals),” we emphasize harmony between people and nature and aim to be a company that is trusted by society by contributing to the formation of social and industrial infrastructure.

In addition, based on the concept of the Taisei Spirit, which is represented by the commitment to “Active and Transparent Culture,” “Value Creation” and “Evolution of Tradition” and the Group Action Guidelines (being the fundamental principles for actions and decision-makings upon which the Taisei Group is to conduct itself, and which are to be strictly complied with by all members of the Taisei Group), we will contribute to society by providing excellent quality and services at a reasonable price in our core construction industry business and by solving various problems of our customers.

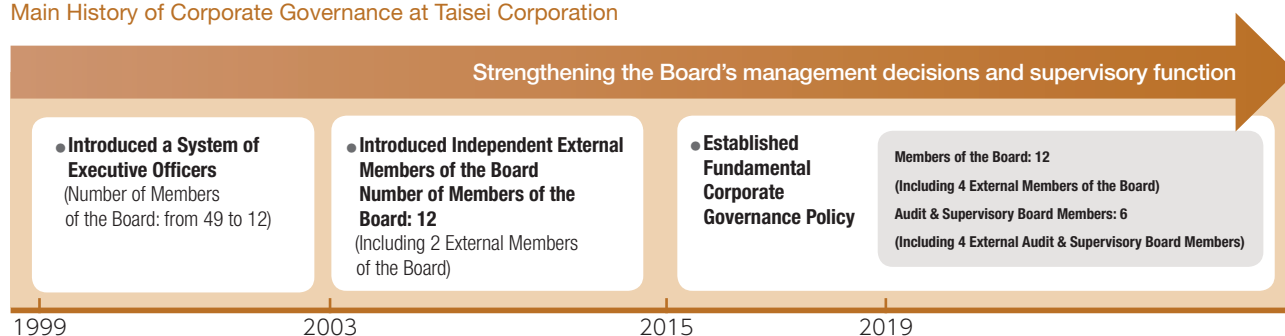
The Company’s fundamental approach to corporate governance is to conduct the management and decision-making of the business in a swift, appropriate, fair and transparent manner in order to continue to grow as a corporation in a sustainable and socially responsible manner.

The aforementioned fundamental view is reflected in the Fundamental Corporate Governance Policy in light of the response to each of the principles of the Corporate Governance Code. The Fundamental Corporate Governance Policy is available on our official website indicated below:

Fundamental Corporate Governance Policy

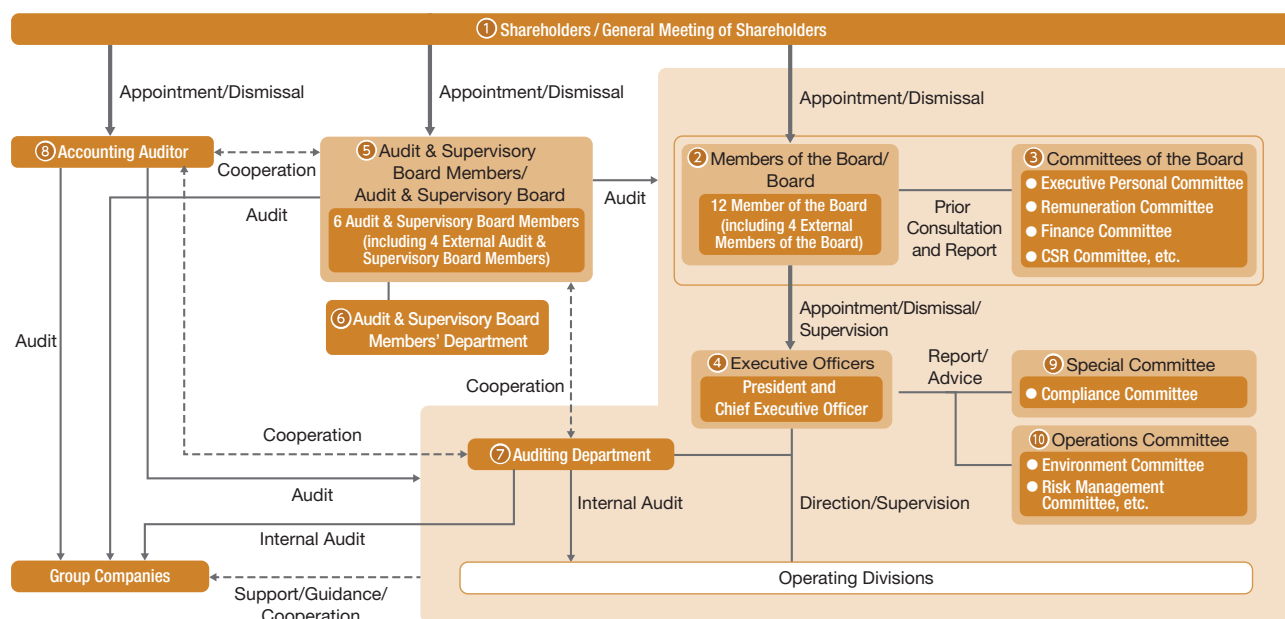
WEB » <https://www.taisei.co.jp/english/profile/governance/>

Main History of Corporate Governance at Taisei Corporation



» Corporate Governance System

Chart of Corporate Governance System



① Shareholders / General Meeting of Shareholders (held on June 26, 2019)

The Company shall endeavor to dispatch the convocation notice of its General Meeting of Shareholders at least three weeks prior to the scheduled date of such General Meeting of Shareholders in order to provide its shareholders time to sufficiently consider the agenda of such General Meeting of Shareholders and exercise their voting rights appropriately. In addition, prior to dispatching each notice, the Company shall announce electronically the information relevant to such General Meeting of Shareholders through the TDnet system and its official website.

② Members of the Board / Board (convened 13 times in FY2018)

The Board, entrusted by the shareholders, shall pursue activities for the common benefit of the Company and its shareholders, and shall be responsible for maintaining an efficient and effective corporate governance structure to facilitate the growth of the Company in a sustainable manner and improve its corporate value in the mid- to long-term.

At least two of the Members of the Board shall be Independent External Members of the Board in order to ensure that the independent and objective oversight of the execution of the Board's operations may be effectively carried out, and the Board is composed of 12 Members of the Board (eight Internal Members of the Board and four External Members of the Board).

The External Members of the Board (three males and one female), who have objective viewpoints based on their experience and insight, bring diversity to the deliberations of the Board while contributing to strengthening supervision of management.

③ Committees of the Board

For the purpose of invigorating and substantializing deliberations by the Board, the Company has established the following committees within the Board as organs for prior consultation of important matters: 1) the Executive Personnel Committee responsible for deliberating on the personnel-matters of the Members of the Board, Executive Officers, etc.; 2) the Remuneration Committee responsible for deliberating on the remuneration of Members of the Board and Executive Officers; 3) the Finance Committee responsible for deliberating on the potential acquisition and holding of significant assets; 4) the Affiliates Committee responsible for deliberating on important matters associated with Group companies; and 5) the CSR Committee responsible for deliberating on matters to enhance the entire Group's CSR-based business management (see p.45).

Composition of the Executive Personnel Committee / Remuneration Committee

| Name | Executive Personnel Committee | Remuneration Committee |
|--|--|--|
| Chairperson | External Members of the Board | External Members of the Board |
| Composition (including the Chairperson) | 4 Internal Members of the Board 4 External Members of the Board | 4 Internal Members of the Board 4 External Members of the Board |
| Number of meetings convened in FY2018 | 11 times | 2 times |

④ Executive Officers

For the purpose of separating the important management decision-making and oversight functions and the business execution function and enabling agile business execution, Taisei Corporation adopts the executive officer system.

⑤ Audit & Supervisory Board (convened 14 times in FY2018)

As an entity independent of the Board and the Operating Divisions, and in accordance with the Audit Policy established by the Audit & Supervisory Board, the Audit & Supervisory Board Members audit the performance of the Member of the Board including attending the meetings of the Board and hearing of reports on business conditions from the Members of the Board.

The Audit & Supervisory Board Members and the Chief Executive Officer, the Auditing Department and the Accounting Auditors hold regular meetings to arrive at mutual understanding and to improve the effectiveness of the audits.

⑥ Audit & Supervisory Board Members' Department

In order to assist the Audit & Supervisory Board Members in the performance of their duties, the Audit & Supervisory Board Members' Department has been set up independently of the Board as a dedicated organization to support the Audit & Supervisory Board Members with the collection of appropriate information and other tasks.

⑦ Auditing Department

Based on the annual auditing plan, the Auditing Department also conducts internal audits of administrative and management systems, as well as the legality and rationality of the management of corporate affairs at all in-house departments and Group companies.

⑧ Accounting Auditor

The Accounting Auditors submit reports on the audit plan and the audit results to the Audit & Supervisory Board, the Accounting Department and other internal control departments as needed.

To ensure the external accounting auditors conduct fair and appropriate audits, the management of the Company, Audit & Supervisory Board Members and the Auditing Department shall have meetings on a regular and as-needed basis, and exchange their opinions with the external accounting auditors. Further, the Board shall respond appropriately if external accounting auditors detect dishonest practices and request that appropriate action be taken, or indicate errors or problems.

⑨ Special Committee

We have set up the Compliance Committee chaired by an external expert as a Special Committee to respond to consultations with the President and we endeavor to reinforce the promotion of compliance (see p.72).

⑩ Operations Committee

We have set up a range of operations committees including the Technology Committee, the Central Safety Committee, the Environment Committee (see p.49), the Risk Management Committee (see p.63), and the Central Labor Affairs Committee to deliberate matters that involve consultations with the President.

» Effectiveness of the Board

At Taisei Corporation, we analyze and evaluate the effectiveness of the Board on the whole once every year. In FY2018, the Members of the Board and Audit & Supervisory Board Members conducted a self-evaluation for the evaluation items which had been reviewed and revised, followed by deliberations by the Board with reference to an overall evaluation by the External Members of the Board and a third-party opinion from a lawyer.

The results of the evaluation indicate that the Board of the Company is properly operated and is functioning effectively overall, that the Board's diverse composition is a contributing factor and the Internal Members of the Board are sincerely accepting active comments and advice from the External Members of the Board, etc.

From the perspective of continuing to improve the activities and the effectiveness of the Board of the Company, recommendations that the Board should further devise a timeframe for explaining and deliberating the agenda items to allow even fuller discussions of important matters, that points of discussions organized by the various committees should be reported to the Board in a more concise manner, and that greater efforts should be made to identify and evaluate in a timely manner changes in the management environment and the status of progress of the management plan were among other opinions noted. In addition, in response to the FY2017 evaluation, the Company made efforts to invigorate operations of the Board in FY2018 through measures such as partially revising the standards for addressing matters to the Board and holding free debates and exchange of opinion sessions on medium- to long-term themes of the Company.

The Company aims to further enhance the operation of the Board based on the results of the FY2018 evaluation.

» Promotion of Internal Controls

At Taisei Corporation, the Board has established the "Fundamental Policy to Enhance Operational Compliance Systems" to ensure the reliability of financial reporting and systems for conducting operations in an appropriate and efficient manner as a Group. Through these systems, we deliver enhanced risk management and compliance (see p.70). The Company implemented a range of measures also in FY2018, such as developing rules concerning compliance.

Fundamental Policy to Enhance Operational Compliance Systems

WEB » <https://www.taisei.co.jp/english/profile/governance>

» Ensuring Credibility of Financial Reporting

Internal controls on financial reporting based on the Financial Instruments and Exchange Act are recognized as one of the most important issues for a corporation. We have set up the internal systems including daily monitoring to ensure the credibility of the financial reporting disclosed to the public.

The effectiveness of the system is evaluated by the Audit Department and audited by KPMG AZSA LLC. The results are disclosed in the Internal Control Report and in the Audit Report of Internal Controls. We will fulfill our social responsibility as a corporation by continuing to ensure the effectiveness of these internal controls.

In order to continue to operate the internal control systems relating to financial reporting in a sound manner, we are also publishing messages from the President, implementing e-learning, and other campaigns to raise awareness among officers and employees.

» Support System for External Members of the Board and External Audit & Supervisory Board Members

The Secretarial Department is responsible for assisting operations of External Members of the Board, and the Audit & Supervisory Board Members' Department, which is independent of Members of the Board, is responsible for assisting operations of External Audit & Supervisory Board Members.

The responsible officers and employees of the Secretarial Department distribute materials and provide explanations concerning proposals to External Members of the Board prior to the meetings of the Board held in principle once a month. For External Audit & Supervisory Board Members, the responsible employees of the Audit & Supervisory Board Members' Department provide explanations and distribute materials in advance regarding proposals. Information is also provided in a timely manner to External Members of the Board and External Audit & Supervisory Board Members.

» Implementation of Training for Members of the Board and Audit & Supervisory Board Members

The Company holds necessary training seminars for Members of the Board and Audit & Supervisory Board Members in order for them to fulfill their functions to supervise and audit its business. Seminars covering related laws and regulations, the Articles of Incorporation, the Board Regulations, and internal processes for determining important policies of the Company, etc. are provided when officers assume their positions.

In addition to this training, the Company continuously provides opportunities for Members of the Board and Audit & Supervisory Board Members to undergo trainings provided by third-party organizations. We also implement measures such as visits to worksites as needed for External Members of the Board and External Audit & Supervisory Board Members to deepen their understanding of the Taisei Group and our business.

» Accountability

Taisei Corporation established the Information Disclosure Policy in 2006, and has set forth principles for ensuring appropriate information disclosure and transparency in the Fundamental Corporate Governance Policy. These policies form the basis for our practice of timely and appropriate information disclosure. In 2015, the Company established the IR Policy and has been promoting constructive dialogue through discussions with shareholders and investors, IR briefings, and the annual general meeting of shareholders.

Furthermore, we strive for fair information disclosure via the Taisei Corporation official website, where we publish explanatory material with commentary, summaries of the President's speeches and the main question and answer sessions (in Japanese and English) on top of the Medium-term Business Plan and materials distributed at results briefings. In addition, we disclose information to overseas investors in English in our annual reports and on the Taisei Corporation official English website.

We also report on key business activities and ESG (Environment, Society, Governance) initiatives in the shareholder newsletter in order to further deepen our shareholders' understanding of our corporate activities.

» Remuneration for Officers

① Policies and procedures in determining remuneration

Remuneration for the Members of the Board is determined from a comprehensive perspective that includes the scale, content, and performance of our business, as well as individual job specifications and responsibilities. Based on a resolution passed at the 146th Annual General Meeting of Shareholders on June 27, 2006, the sum total of monthly remuneration for the Members of the Board shall not exceed ¥70 million. Based on a resolution passed at the 134th Annual General Meeting of Shareholders on June 29, 1994, the sum total of monthly remuneration for Audit & Supervisory Board Members shall not exceed ¥12 million. Further, where remuneration for the Members of the Board is concerned, the system of remuneration shall reflect performance and will be determined by the Board after deliberation by the Remuneration Committee, which carries out preliminary reviews ahead of board meetings, while remuneration for Audit & Supervisory Board Members shall be determined upon consultation with the Audit & Supervisory Board.

(Performance-Linked Remuneration)

Remuneration for the Members of the Board of the Company consists of the performance-linked remuneration set by position (including the position of Executive Officer when concurrently serving as Executive Officer) and the remuneration, etc. other than the performance-linked remuneration, and the amount of remuneration is determined and promoted by position. The indicators associated with the performance-linked remuneration represent the sum of income before income taxes on the non-consolidated statement of income of the most recent business year and the total amount of bonuses for employees borne in the most recent business year and these indicators are selected on the grounds that they are approximate to the added value of the Company. In determining the amount of the performance-linked remuneration, the Remuneration Committee holds discussions on the following matters and addresses them to the Board.

- (1) Total amount of remuneration and others paid to Members of the Board and the amount by position
- (2) Establishment of and revisions to internal rules concerning remuneration for Members of the Board and others

Targets and results of indicators associated with performance-linked remuneration are as shown below.

(Millions of Yen)

| Date of resolution by the Board | June 26, 2019 | | June 8, 2018 (FY) | |
|--|-----------------------|---------|-----------------------|---------|
| Applicable period of remuneration | July 2019 – June 2020 | | July 2018 – June 2019 | |
| Target or Result | Target | Results | Target | Results |
| Income before income taxes in the most recent business year | 115,000 | 137,235 | 109,000 | 160,958 |
| Total amount of bonuses for employees borne in the most recent business year | (Note) | 33,738 | (Note) | 28,328 |
| Total | (Note) | 170,973 | (Note) | 189,287 |

Note: Since no target value is set for the total amount of bonuses for employees, only the result is indicated.

② Total amount of remuneration, etc. by officer category, total amount of remuneration, etc. by type and number of applicable officers

| Category | Internal executives | | | |
|-----------------------------------|----------------------|--------------------------------------|---|--|
| | Number of recipients | Fixed remuneration (Millions of Yen) | Performance-linked remuneration (Millions of Yen) | Total amount of remuneration (Millions of Yen) |
| Members of the Board | 8 | 395 | 313 | 708 |
| Audit & Supervisory Board Members | 2 | 78 | — | 78 |
| Subtotal | 10 | 473 | 313 | 787 |
| Category | External executives | | | |
| | Number of recipients | Fixed remuneration (Millions of Yen) | Performance-linked compensation (Millions of Yen) | Total amount of remuneration (Millions of Yen) |
| Members of the Board | 3 | 46 | — | 46 |
| Audit & Supervisory Board Members | 4 | 57 | — | 57 |
| Subtotal | 7 | 104 | — | 104 |
| Category | Total amount | | | |
| | Number of recipients | Fixed remuneration (Millions of Yen) | Performance-linked compensation (Millions of Yen) | Total amount of remuneration (Millions of Yen) |
| Members of the Board | 11 | 442 | 313 | 755 |
| Audit & Supervisory Board Members | 6 | 135 | — | 135 |
| Total | 17 | 578 | 313 | 891 |

Note: All remuneration, etc. paid to Audit & Supervisory Board Members and Members of the Board are basic remuneration.

③ Total amount of consolidated remuneration, etc. by officer (only for those whose total consolidated remuneration, etc. is no less than ¥100 million)

| Name | Total amount of consolidated remuneration | Position | Total amount of consolidated remuneration by type (Millions of Yen) | |
|------------------|---|---------------------------------------|--|---------------------------------|
| | | | Fixed remuneration | Performance-linked remuneration |
| Takashi Yamauchi | 122 | Chairman, Representative Director | 70 | 52 |
| Yoshiyuki Murata | 122 | President, Representative Director | 70 | 52 |

Major Activities and Attendance of External Members of the Board and External Audit & Supervisory Board Members in FY2018

| Name | Independent Director | Major Activities (Significant Concurrent Positions As of June 21, 2019) | Attendance at Meetings in FY2019 Number of Meetings Attended/ Total Number of Meetings |
|------------------|----------------------|---|---|
| Toru Tsuji | ○ | He attended all the board meetings held in the current fiscal year. Based on the deep insights obtained from his experience as a manager in a different industry and from his neutral position and view as an external member of the board, he offered useful opinions to the Company's management in order to establish an internal control system and strengthen corporate governance and a compliance system. | Attendance at the Board 13 out of 13 Meetings (100%) |
| Fumio Sudo | ○ | He attended all the board meetings held in the current fiscal year. Based on the deep insights obtained from his experience as a manager in a different industry and from his neutral position and view as an external member of the board, he offered useful opinions to the Company's management in order to establish an internal control system and strengthen corporate governance and a compliance system. | Attendance at the Board 13 out of 13 Meetings (100%) |
| Atsuko Nishimura | ○ | Since she assumed the position of an external member of the board in the 157th General Meeting of Shareholders held on June 29, 2017, she attended all the board meetings held during the current fiscal year. Based on her abundant international sense obtained from her experience as a diplomat and from her neutral position and view as an external member of the board, she offered useful opinions to the Company's management in order to establish an internal control system and strengthen corporate governance and a compliance system. ● Outside Director of INPEX CORPORATION | Attendance at the Board 13 out of 13 Meetings (100%) |
| Terunobu Maeda | ○ | He attended all the board meetings held in the current fiscal year and 13 out of a total of 14 audit & supervisory board meetings held during the same period. He offered his opinions as and when appropriate based on his broad knowledge of finance and accounting. ● Outside Audit & Supervisory Board Member of the Higo Bank Ltd. | Attendance at the Board 13 out of 13 Meetings (100%) Attendance at the Audit & Supervisory Board 14 out of 14 Meetings (100%) |
| Shigeru Morichi | ○ | He attended all the board meetings and audit & supervisory board meetings held in the current fiscal year. He offered his opinions as and when appropriate based on the deep insights obtained from his experience as a university professor. ● Director of Policy Research Center of National Graduate Institute for Policy Studies | Attendance at the Board 13 out of 13 Meetings (100%) Attendance at the Audit & Supervisory Board 14 out of 14 Meetings (100%) |
| Kiwamu Miyakoshi | ○ | He attended all the board meetings and audit & supervisory board meetings held during the current fiscal year. He offered his opinions as and when appropriate based on the deep insights obtained from his experience as a police officer. ● Director (Audit and Supervisory Committee Member) of LIXIL VIVA CORPORATION | Attendance at the Board 13 out of 13 Meetings (100%) Attendance at the Audit & Supervisory Board 14 out of 14 Meetings (100%) |
| Kunitoshi Saito | ○ | He attended all the board meetings and audit & supervisory board meetings held during the current fiscal year. He offered his opinions as and when appropriate based on the deep insights obtained from his experience at the Board of Audit of Japan. | Attendance at the Board 13 out of 13 Meetings (100%) Attendance at the Audit & Supervisory Board 14 out of 14 Meetings (100%) |

Management Members (As of 1 September, 2019)

Members of the Board

Takashi Yamauchi

Chairman, Representative Director



1969.06 Joined the Company
1999.06 Executive Officer
2002.04 Managing Executive Officer
2004.06 Senior Managing Executive Officer
2005.06 Senior Managing Executive Officer, Member of the Board
2007.04 President and Chief Executive Officer, Representative Director
2015.04 Chairman, Member of the Board (Representative Director) [Present Position]

Yoshiyuki Murata

President, Representative Director



1977.04 Joined the Company
2011.04 Executive Officer
2013.04 Managing Executive Officer
2013.06 Managing Executive Officer, Member of the Board
2015.04 President and Chief Executive Officer (Representative Director) [Present Position]

Shigeyuki Sakurai

Representative Director



1979.04 Joined the Company
2011.04 Executive Officer
2013.04 Managing Executive Officer
2013.06 Managing Executive Officer, Member of the Board
2015.04 Senior Managing Executive Officer, Representative Director
2017.04 Executive Vice President, Representative Director
Chief of Business Administration Division [Present Position]

Shigeyoshi Tanaka

Representative Director



1979.04 Joined the Company
2011.04 Executive Officer
2013.04 Managing Executive Officer
2015.04 Senior Managing Executive Officer
2015.06 Senior Managing Executive Officer, Member of the Board
2017.04 Executive Vice President, Member of the Board
2019.04 Executive Vice President, Representative Director
Chief of Civil Engineering Division; In charge of Safety Administration [Present Position]

Norihiko Yaguchi

Director



1978.04 Joined the Company
2012.04 Executive Officer
2015.04 Managing Executive Officer
2015.06 Managing Executive Officer, Member of the Board
2017.04 Senior Managing Executive Officer, Member of the Board
2019.04 Senior Managing Executive Officer, Member of the Board
Deputy Chief of Marketing & Sales Division (Integrated); Supervising Marketing & Sales (Building Construction) Divisions [Present Position]

Hiroshi Shirakawa

Director



1979.04 Joined the Company
2012.04 Executive Officer
2015.04 Managing Executive Officer
2019.04 Senior Managing Executive Officer
2019.06 Senior Managing Executive Officer, Member of the Board
Chief of Marketing & Sales (Building Construction) Division II [Present Position]

Yoshiro Aikawa

Director



1980.04 Joined the Company
2013.04 Executive Officer
2016.04 Managing Executive Officer
2019.06 Managing Executive Officer, Member of the Board
Chief of Architecture & Engineering Division (Integrated); Chief of Building Construction Division [Present Position]

Hiroshi Kimura

Director



1982.04 Joined the Company
2015.04 Executive Officer
2018.04 Managing Executive Officer
2019.06 Managing Executive Officer, Member of the Board
Deputy Chief of Marketing & Sales Division (Integrated); Supervising Marketing & Sales (Civil Engineering) Divisions; Chief of Marketing & Sales (Civil Engineering) Division [Present Position]

Atsuko Nishimura

External Board Member



1979.04 Joined Ministry of Foreign Affairs of Japan
1999.08 Minister/Counsellor of Permanent Mission of Japan to the United Nations
2001.06 Minister of Embassy of Japan in Belgium
2004.09 Professor of Tohoku University Graduate School of Law
2008.06 Administrative Vice President of the Japan Foundation
2012.04 Advisor of Japan Oil, Gas and Metals National Corporation
2014.04 Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg
2016.07 Ambassador Extraordinary and Plenipotentiary for Women, Human Rights and Humanitarian Affairs
2017.06 Member of the Board of Taisei Corporation [Present Position]

Takao Murakami

External Board Member



1969.04 Joined Sapporo Breweries Limited (Present: Sapporo Holdings Limited)
1999.03 Executive Officer
2001.03 Managing Executive Officer
2003.07 Member of the Board; Senior Managing Executive Officer of Sapporo Breweries Limited (new company)
2004.03 Managing Executive Officer, Member of the Board of Sapporo Holdings Limited
2005.03 President and Chief Executive Officer, Representative Director, Group CEO
2011.03 Chairman of the Board, Representative Director
2018.03 Honorary Counsellor of Sapporo Holdings Limited [Present Position]
2019.06 Member of the Board of Taisei Corporation [Present Position]

Norio Otsuka

External Board Member



1973.04 Joined NSK Ltd.
2000.04 Executive Officer
2002.06 Managing Executive Officer, Member of the Board
2004.06 Senior Managing Executive Officer, Representative Director
2007.06 Executive Vice President, Representative Director
2009.06 President and Chief Executive Officer, Representative Director
2015.06 Chairman, Member of the Board
2018.06 Advisor of NSK Ltd. [Present Position]
2019.06 Member of the Board of Taisei Corporation [Present Position]

Fumiya Kokubu

External Board Member



1975.04 Joined Marubeni Corporation
2005.04 Executive Officer
2008.04 Managing Executive Officer
2008.06 Managing Executive Officer, Representative Director
2010.04 Senior Managing Executive Officer
2012.04 Executive Vice President
2012.06 Executive Vice President, Representative Director
2013.04 President and Chief Executive Officer, Representative Director
2019.04 Chairman, Member of the Board [Present Position]
2019.06 Member of the Board of Taisei Corporation [Present Position]

Audit & Supervisory Board Members

Takashi Hayashi

Audit & Supervisory Board Member (Full-Time)



1974.04 Joined the Company
2006.04 Executive Officer
Chief of Housing Business Division
2008.10 President and Representative Director of
TAISEI HOUSING CORPORATION
2009.04 Managing Executive Officer of Taisei
Corporation
2012.04 President and Representative Director of
Taisei-Yuraku Real Estate Co., Ltd.
2017.04 Member of the Board
2017.06 Senior Advisor
2019.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Akihiko Noma

Audit & Supervisory Board Member (Full-Time)



1981.04 Joined the Company
2014.04 General Manager of Contract &
Claims Management Department,
International Operations Headquarters
2016.04 General Manager of International Business
Strategy Department,
International Operations Headquarters
2016.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Terunobu Maeda

External Audit & Supervisory Board Member



1968.04 Joined Fuji Bank, Ltd.
1995.06 Director
1997.05 Managing Director
2001.05 Vice-president
2002.01 Director of Mizuho Holdings, Inc.
2002.04 President and
Chief Executive Officer, Director
2003.01 President and Chief Executive Officer of
Mizuho Financial Group
2009.04 President Emeritus
2011.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Shigeru Morichi

External Audit & Supervisory Board Member



1966.04 Joined Japan National Railways
1987.03 Professor of Civil Engineering, School of Engineering,
Tokyo Institute of Technology
1996.04 Professor of Social Infrastructure Engineering,
Graduate School of Engineering, University of Tokyo
2004.04 Professor,
National Graduate Institute for Policy Studies
2004.04 Vice Chairman, The Institution For Transport Policy Studies
2011.04 President, The Institute For Transport Policy Studies
Director of Policy Research Center of
National Graduate Institute for Policy Studies
[Present Position]
2012.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Kiwamu Miyakoshi

External Audit & Supervisory Board Member



1977.04 Joined National Police Agency
1987.04 First Secretary, Embassy of Japan in
Germany, Ministry of Foreign Affairs
1998.03 Police Commissioner,
Tokushima Prefectural Police
2004.07 Auditor-Secretary,
Hanshin Expressway Company Limited
2005.09 Police Commissioner,
Ibaraki Prefectural Police
2010.03 Chief of Police, Chugoku District
2011.03 Chief of Police, Kanto District
2012.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Kunitoshi Saito

External Audit & Supervisory Board Member



1977.04 Joined Board of Audit of Japan
2009.12 Director General of 3rd Bureau,
Board of Audit
2011.05 Director General of 5th Bureau,
Board of Audit
2013.03 Secretary General, Board of Audit
2016.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Notes 1: Atsuko Nishimura, Takao Murakami, Norio Otsuka, and Fumiya Kokubu are External Members of the Board as defined by the Companies Act, Article 2-XV.

2: Terunobu Maeda, Shigeru Morichi, Kiwamu Miyakoshi and Kunitoshi Saito are External Audit & Supervisory Board Members as defined by the Companies Act, Article 2-XVI.

3: Atsuko Nishimura, Takao Murakami, Norio Otsuka, Fumiya Kokubu, Terunobu Maeda, Shigeru Morichi, Kiwamu Miyakoshi and Kunitoshi Saito are independent officers in accordance with the rules of Tokyo Stock Exchange and Nagoya Stock Exchange.

ESG Section

Chairman

Takashi Yamauchi

Executive Officers

President and Chief Executive Officer

Yoshiyuki Murata

Vice Chairman and Executive Officer

Kazuhiko Dai

Executive Vice Presidents

Shigeyoshi Tanaka

Chief of Civil Engineering Division;
In charge of Safety Administration

Shigeyuki Sakurai

Chief of Business Administration Division

Masahiro Sakai

Chief of Marketing & Sales Division (Integrated)

Senior Managing Executive Officers

Yoshinobu Shigeji

In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Katsuyuki Kanai

Chief of Urban Development Division

Shoji Kondo

Chief of Nagoya Branch

Norihiko Yaguchi

Deputy Chief of Marketing & Sales Division (Integrated),
Supervising Marketing & Sales (Building Construction)
Divisions

Takao Kanai

Chief of Marketing & Sales (West Japan) Division

Hiroshi Shirakawa

Chief of Marketing & Sales (Building Construction)
Division II

Managing Executive Officers

Kazuhiko Hombu

In charge of Technology;
In charge of Energy & Environment

Masahiro Oshima

Chief of Corporate Planning Office

Yasushi Yoshinari

Chief of Medical & Pharmaceutical Business Division

Masaharu Okada

Chief of Marketing & Sales (Building Construction)
Division III

Masao Yoshikawa

In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Takeshi Kagata

Chief of Kansai Branch

Jirou Taniyama

Deputy Chief of Civil Engineering Division;
General Manager of Civil Engineering Department

Yoshiro Aikawa

Chief of Architecture & Engineering Division (Integrated);
Chief of Building Construction Division

Keiji Hirano

Chief of International Operations Headquarters

Hiroshi Tsuchiya

Chief of Marketing & Sales (Building Construction)
Division I

Susumu Morita

Chief of Energy Division

Noriaki Kon

Chief of Procurement Division

Nobuyuki Hayashi

General Manager of Design Department, Civil Engineering
Division

Atsushi Yamamoto

Chief of Marketing & Sales Promotion Division

Hiroshi Kimura

Deputy Chief of Marketing & Sales Division (Integrated),
Supervising Marketing & Sales (Civil Engineering)
Divisions;
Chief of Marketing & Sales (Civil Engineering) Division

Jo Iwata

Chief of Proposal & Solutions Division;
In charge of Community Design & IR Development
Department;
In charge of Olympic and Paralympic Projects

Fumihiko Sudoh

Chief of Tokyo Branch

Yuichi Kitaguchi

In charge of New National Stadium Project, Tokyo Branch

Yasumitsu Sakurai

Deputy Chief of International Operations Headquarters

Shun Kitano

Chief of Safety Administration Division

Hiroshi Harada

In charge of Civil Engineering Projects, Civil Engineering
Division

Yoshihiro Teramoto

Chief of Yokohama Branch

Executive Officers

Shimpei Oguchi

Deputy Chief of Marketing & Sales (West Japan) Division,
in charge of Building Construction

Taku Yamamoto

In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Atsushi Suzuki

Chief of Mechanical & Electrical Division

Shunichi Sonoda

Deputy Chief of Marketing & Sales (Building Construction)
Division III

Makoto Ohta

General Manager of International Projects Management
Department, Civil Engineering Division

Toru Inaba

Deputy Chief of International Operations Headquarters
(Building Construction & Engineering)

Yasushi Kamezawa
Chief of Environment Division

Shinsaburo Sawa
Deputy Chief of Marketing & Sales (Building Construction)
Division I

Shinji Kawamura
Chief of Kyusyu Branch

Masahiko Okada
General Manager of Secretarial Department

Yoshio Abe
Deputy Chief of Marketing & Sales (Civil Engineering)
Division;
General Manager of Marketing & Sales Department;
In charge of Olympic and Paralympic Projects

Akira Ejima
Chief of Chugoku Branch

Iwao Nishioka
Chief of Hokushinetsu Branch

Akira Nakaya
Chief of Shikoku Branch

Yoshihiko Ikeuchi
Deputy Chief of Marketing & Sales (Civil Engineering)
Division;
General Manager of Marketing & Sales Department

Ichiro Nagashima
Chief of Taisei Technology Center

Weiylu Chung
General Manager of Marketing & Business Development
Department (Taiwan), International Marketing & Business
Development Division

Katsuhiko Kitagawa
In charge of Marketing & Sales (Building Construction),
Marketing & Sales Division (Integrated)

Kenji Shirakawa
Chief of Chiba Branch

Shinichiro Takahama
Chief of Engineering Division

Naohisa Hirata
Chief of Tohoku Branch

Koichiro Okuhata
Chief of Kanto Branch

Shinichi Hirajima
Chief of Sapporo Branch

Toshihiko Aoki
Deputy Chief of International Operations Headquarters
(Civil Engineering);
General Manager of Civil Engineering Department

Minoru Hamanaka
Deputy Chief of Marketing & Sales (Building Construction)
Division II

Yasuji Yamauchi
In charge of Technology

Executive Fellows

Toshihiko Tsuka
In Charge of Information Planning, Corporate Planning Office

Hirotoishi Ikeda
Deputy Chief of Architecture & Engineering Division (Integrated)

Miyoshi Kato
In charge of Energy & Environment

Yozo Shinozaki
Deputy Chief of Design Division

Tsuyoshi Maruya
Deputy Chief of Taisei Technology Center;
General Manager of Infrastructure Technology Research
Department

Takaharu Yamamura
Deputy Chief of Urban Development Division

Risk Management/Compliance

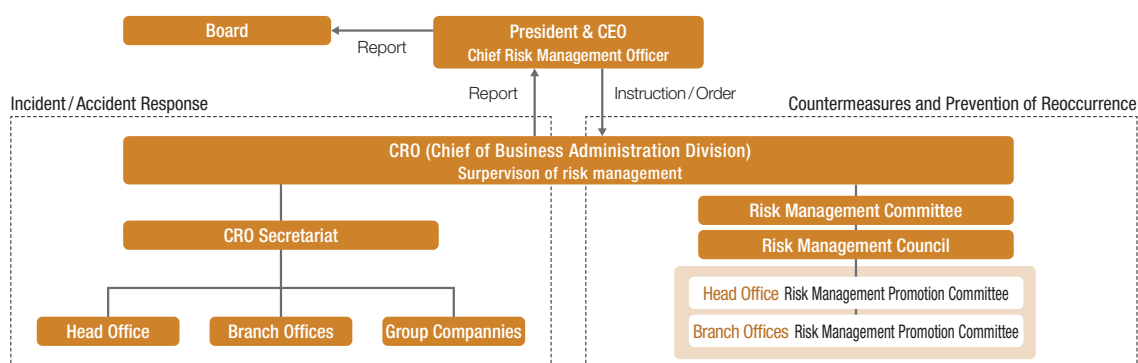
» Risk Management Policy and Management Systems

At Taisei Corporation, we have formulated a Risk Management Policy and built systems to implement risk management across the whole company in order to respond to risk escalation following changes in the business environment.

In terms of handling risk management, we set forth the Basic Risk Management Rules and we identify and select risks associated with quality and technology, laws and regulations, compliance, information, safety, labor and employment, the environment, natural disasters and others that influence business activities every year. Depending on their importance, we then classify risks into categories such as “important company-wide risk” or “risk within the jurisdiction of head office” and we develop, implement, evaluate and improve (follow the PDCA cycle) risk countermeasures.

We implement effective risk management across the whole company including measures to prevent any reoccurrence by sharing this information with the Risk Management Committee and the Risk Management Council.

Company-Wide Risk Management System



➡ Please refer to the business and other risks in the Securities Report for the main issues that may have a major impact on investor decisions.

» Initiatives for Business Continuity Planning (BCP)

In order to meet its responsibilities as a general construction company supporting the infrastructure for economic activities even in times of disaster, Taisei Corporation has established the Policy on Business Continuity in Times of Disaster and aims to become a company that gains the trust of society by contributing to business continuity at central and local governments and corporations.

Based on this Policy, we formulate the Business Continuity Plan to be implemented in times of disaster, conduct disaster countermeasure training at least once a year, and fully review and update the Business Continuity Plan based on the results of the training and other factors each time.

FY2018 Large-Scale Disaster Countermeasure Training

Taisei Corporation conducted the FY2018 Large-Scale Disaster Countermeasure Training in November 2018 based on its Business Continuity Plan. A total of approximately 18,000 officers and employees from the head office, 13 branches across the country and all 25 Group companies participated in the training (see p.108).

Setting the theme of this training as “establishing and verifying the initial action system that functions even at times of confusion immediately after the outbreak of a disaster,” we informed the members of each countermeasure/response headquarters of the time of outbreak of the disaster, the transportation status and the availability of a building for use on the day of the training to replicate the confusion at the time of initial response and carried out increasingly practical training.

In addition, to prepare for a situation where the managers of the countermeasure/response headquarters are unable to gather at the headquarters due to paralyzed traffic functions, etc. and provide prompt instructions, we set up multiple temporary contact points at branches in the Tokyo metropolitan area and conducted training where also on the day of the training some of the managers of countermeasure/response headquarters temporarily gathered at such temporary contact points and took command remotely.



Large-scale disaster countermeasure training being held (6th floor of Head Office building; Disaster Response Main Headquarters)

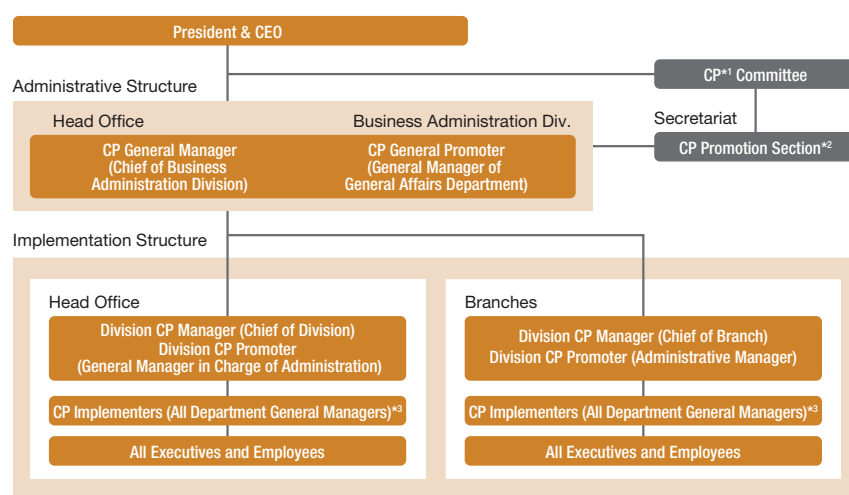
» Compliance Policy and Systems

The Action Guidelines for Taisei Personnel and the Taisei Group as a Whole state that in order to fulfill its social responsibilities, the Taisei Group shall adhere to laws and regulations, etc. (laws and ordinances, by law, administrative guidance, customs and other social rules, and various company rules and regulations).

The guidelines also state that the company must act in good faith and fulfill contracts and promises with customers, suppliers, or the local community in all sincerity.

As indicated in the diagram below, each department at Taisei Corporation has deployed managers, promoters, and implementors to install the in-house compliance promotion system and to strengthen compliance by incorporating the opinions and recommendations of the Compliance Committee, which has been established as a special committee serving as the President's advisory committee and chaired by an external expert (lawyer), and exchanging opinions with the Committee (see p.61).

Compliance Promotion System



*1 CP: abbreviation of compliance

*2 Promotes and embeds compliance awareness among officers and employees. Also functions as a secretariat for the Compliance Committee.

*3 All heads of departments are appointed compliance implementers. The heads of each department educate and inform all officers and employees in their own departments about compliance.

» Raising Awareness of Compliance

Taisei Corporation systematically implements education and training to raise awareness of compliance. We strive to establish awareness for compliance among personnel by implementing e-learning and publishing the Compliance newsletter on familiar topics related to compliance, and are expanding these efforts to personnel of Group companies as well.

We also endeavor to strengthen group compliance by organizing periodic conferences for staff who are responsible for legal affairs at the domestic Group companies as a system for information sharing and exchange of opinions regarding issues related to legal affairs.

In addition, we are working to enhance awareness for compliance by holding compliance-related trainings for specialized contractors.

Education and Training for Raising Awareness of Compliance

| Subject organization | Officers and employees | Group | Specialized contractors |
|-------------------------------|---|--|---|
| Training/ education conducted | <ul style="list-style-type: none"> Distribute the Compliance Newsletter (once a month) Implement e-learning (as necessary) *Four times in FY2018 Implement group training (as necessary) | <ul style="list-style-type: none"> Organize conferences for staff responsible for legal affairs at Group companies in Japan (once a year) Conduct Group compliance interviews on Group companies in Japan (once a year) Provide guidance on KPI establishment to Group companies in Japan | <ul style="list-style-type: none"> Implement compliance training at the Safety Conference*4 (once a year) Implement compliance training for new employees of Soyukai member companies (twice a year) Promote CSR procurement |

*4 A conference that aims to inform specialized contractors about ensuring safety management.

» Measures to Ensure Thorough Compliance

[1] Whistleblowing and Consultation System

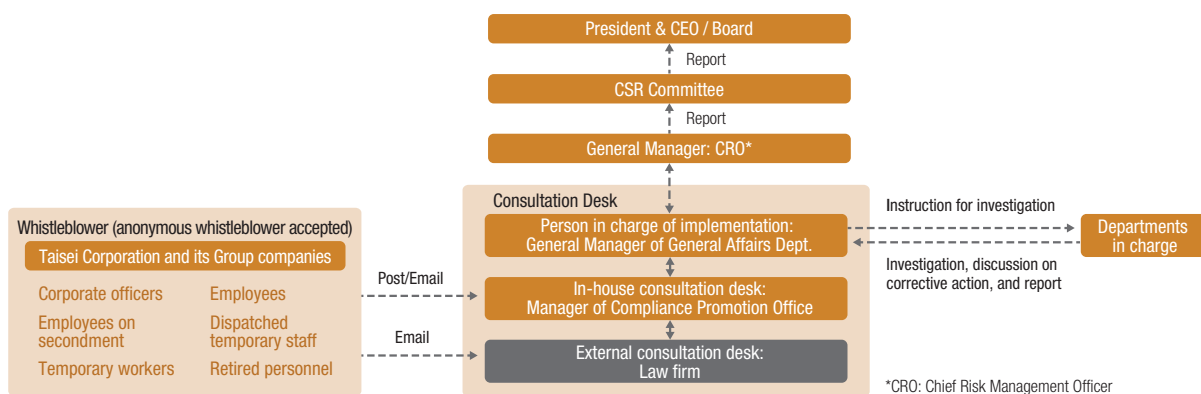
At the Taisei Group, we have set up the Corporate Ethics Helpline, a system for whistleblowing and consultation where acts contravene laws and ordinances or the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. We have established consultation desks in-house and at an external organization (a law firm).

At these in-house and external consultation desks, we accept whistleblowing reports from external parties. When handling whistleblowing reports, we abide by the Whistleblower Protection Act and treat all information about the whistleblower as confidential and prohibit any adverse action as a direct result of whistleblowing. Furthermore, we accept anonymous tips in order to find a clue of a wide range of illegal activities.

We carry out fact-finding investigations on the whistleblowing reports received, and respond appropriately, including taking corrective measures as needed.

We accept any consultation from external stakeholders at our inquiry counter.

Flow of Internal Whistleblowing Based on the Helpline System



[2] Verification of Compliance with Laws and Regulations (Guidance)

In order to ensure the legitimacy of bids, Taisei Corporation operates an in-house system whereby the heads of branch offices confirm, produce the documents, and keep all bids on file.

Every year, the legal department verifies the legitimacy of bids and checks compliance with the Construction Business Act, Antimonopoly Act and the Subcontractors Protection Act. The results are reported to the in-house Auditing Department.

[3] Initiatives to Ensure Fair Subcontracts and Eliminate Anti-Social Forces

Taisei Corporation has adopted Promoting Partnerships with Supply Chains in its Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and declares “Promoting partnerships with subcontractors and suppliers” and stipulates that transactions be conducted on an equal footing.

Furthermore, we have set out Measures for Dealing with Anti-Social Forces and Organizations, stipulating that we will take a resolute stance against anti-social forces and will not comply with illegitimate demands. In order to eliminate anti-social forces, we have included a condition in our contracts, including the basic contract for specialized sub-contractors, declaring that the supplier is not an anti-social force and that if revealed otherwise, the contract may be cancelled without notice.

[4] Prohibition of Bribery and Other Fraudulent Acts

At Taisei Corporation, we have set forth “Ensuring fair trade” and “Maintenance of proper relationships with individuals or entities engaged in politics and government” under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole and implement Group-wide initiatives to prevent bribery and other misleading acts.

In April 2018, we signed the United Nations Global Compact and have been making sure we prevent corruption based on one of the ten principles, “Business should work against corruption in all its forms, including extortion and bribery.”

In the previous fiscal year, we organized enlightenment activities for all officers and employees to prevent bribery of foreign public officials.



» Priority Initiatives Taken in FY2018

Taking the fact seriously that we were indicted on suspicion of violating the Anti-Monopoly Act in connection with the Linear Chuo Shinkansen construction project, we have implemented the measures indicated below based on deliberations by the Compliance Committee chaired by an external lawyer and resolution by the Board.

1. Revision and tightening of internal rules relating to contacts with competitors (September 2018)
2. Reinforcement of procedures to confirm the appropriateness of the bidding process (September 2018)
3. Carrying out re-education to ensure compliance with the Anti-Monopoly Act
 - Implementation of e-learning for all officers and employees (September 2018)
 - Implementation of training by an external lawyer for officers and employees in the sales departments and the technical departments that engage in operations related to taking orders (October and November 2018)

» Practicing Intellectual Property Policy and Intellectual Property Strategy

Taisei Corporation has formulated the Policy on Intellectual Property, based on which we practice our Intellectual Property Strategy. We strategically manage and utilize all intellectual property including patents, copyright, construction and business know-how to promote management that is focused on intellectual property. Regarding management of intellectual property, we intend to improve operational efficiency through building a search function for our own patents and preparing a database for managing patents.

We have tightened the handling of classified information and we have established Rules for Handling Intellectual Property Information in order to prevent leaks of technical know-how or other confidential business information. We also take measures to reduce the risk of infringing the intellectual property rights of third parties, such as making technical departments and business departments thoroughly aware of other companies' patent information.

In addition, we conduct training to ensure that employees are fully informed about this policy and utilize intellectual property strategically in order to strengthen our competitiveness and improve our corporate value. In FY2018, we conducted intellectual property courses for technical departments in the head office and operations departments in branch offices as well as e-learning for all officers and employees, including the utilization of application rights and a series of awareness raising campaigns about infringement (see p.108).

» Information Security Measures

Taisei Corporation has formulated policies and action guidelines in order to protect and make appropriate use of company information. We have systematically built rules and regulations concerning company-wide information security systems and information management. We established Taisei-SIRT in order to strengthen the system for responding to security incidents* involving electronic information. We have been actively involved in the Nippon CSIRT Association since joining in March 2013. Under the slogan "ICT Safety First!," Taisei Corporation implements a range of information security measures.

Together with all Group companies, specialized constructors, and other partner companies, we aim for zero incidents related to information security.

We have been promoting a tighter information security environment at overseas business offices and construction sites since FY2016. We have summarized the minimal rules to be followed in a pamphlet, and conducted education and instruction for all officers and employees as well as specialized constructors and other partner companies. In FY2018, we conducted 19 sessions of company-wide information security training and the number of major information security accidents came down to zero (see KPIs on p.60).

» To Share Our Philosophy and Values

To spread and consolidate the Group Philosophy among employees while connecting it to social demands and in-house initiatives, we have operated annual trainings about the Group Philosophy based on an e-learning format since FY2011. In FY2018, we held an e-learning session for employees on the theme of the relationship between the Group Philosophy and improvements in corporate value required by Observing the Charter of Corporate Behavior of the Keidanren (Japan Business Federation), with a participation rate of 97%.

Explanation and Analysis of Business Results

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

| | Millions of Yen (except for per share figures) | | Thousands of U.S. Dollars*1 (except for per share figures) | |
|---|---|-------------|---|------------|
| | 2018 | 2019 | 2019 | Change (%) |
| Contract backlog at the beginning of the year | ¥ 2,249,221 | ¥ 2,407,221 | \$ 21,688,630 | 7.0 % |
| New orders received during the year | 1,743,498 | 1,693,859 | 15,261,366 | (2.8) |
| Net sales | 1,585,498 | 1,650,878 | 14,874,115 | 4.1 |
| Contract backlog at the end of the year | ¥ 2,407,221 | ¥ 2,450,202 | \$ 22,075,881 | 1.8 % |
| Net income attributable to owners of parent | ¥ 126,788 | ¥ 112,572 | \$ 1,014,254 | (11.2)% |
| Per share (in yen and dollars) | 561.36 | 511.90 | 4.61 | (8.8) |
| Cash dividends applicable to the year | 28,032 | 28,356 | 255,482 | 1.2 |
| Per share (in yen and dollars) | 85.00 | 130.00 | 1.17 | 52.9 |
| Net assets | 669,020 | 722,390 | 6,508,605 | 8.0 |
| Per share (in yen and dollars) | 2,975.02 | 3,302.86 | 29.76 | 11.0 |
| Total assets | 1,910,598 | 1,846,176 | 16,633,715 | (3.4) |

*1 U.S. dollar amounts above and elsewhere in this Annual Report were translated from yen, for convenience only, at the rate of U.S. \$ 1 = ¥ 110.99, the approximate exchange rate at March 31, 2019.

*2 The net assets per share and the net income per share are calculated assuming that the consolidation of shares took place at the beginning of the year ended March 31, 2018, because the consolidation of shares, at the ratio of 1 share for 5 shares, was implemented on October 1, 2017.

*3 Total annual dividends per share as of March 31, 2018 is ¥ 85.00, which is the sum of the interim dividend per share of ¥ 10.00 and the year-end dividend per share of ¥ 75.00. Due to the consolidation of shares at the ratio of 1 share for 5 shares implemented on October 1, 2017, the year-end dividend per share of ¥ 75.00 reflects this consolidation, while the interim dividend per share of ¥ 10.00 does not.

If the interim dividend per share is calculated based on the consolidation of shares, it would be ¥ 50.00, making the total annual dividends per share ¥ 125.00.

*4 Effective from the year ended March 31, 2019, the Group retrospectively applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018).

The Group applied this change retrospectively and restarted the FINANCIAL HIGHLIGHTS from the year ended March 31, 2018, accordingly.

Status of Results

While weakness is seen in exports and production in some sectors due to the protectionist trade policy prevailing in the world economy and uncertainty over the prospect of the Chinese economy, the Japanese economy during this fiscal year moderately continued to recover overall as consumer spending has recovered responding to the improved employment and income environments.

In the domestic construction market, private investments in facilities increased backed by strong corporate earnings and high

levels of public works investment continued, allowing the construction industry to maintain a good business environment.

Under these circumstances, the Company and its affiliated companies reported consolidated results of its operations as follows:

Orders received decreased by 2.8% compared to the previous consolidated fiscal year to ¥ 1,693.8 billion due to a decrease in Civil Engineering.

Major new orders received during FY ended March 2019

| Client | Project |
|---|--|
| Tokyo Electron Technology Solutions Limited | Tokyo Electron Technology Solutions New Construction of new building of Tohoku Branch Office |
| Tokyo International University | (Tentative Name) Tokyo International University New Construction of Ikebukuro International Campus |
| Harmonic Drive Systems Inc. | Harmonic Drive Systems New Construction of Ariake new plant |
| Ministry of Land, Infrastructure, Transport and Tourism Tohoku Regional Development Bureau | Naruse Dam Quarry Work (1st Period) |
| Tokushima Tsuda Biomass Power Plant LLC. | Tokushima Tsuda Biomass Power Plant |

Major projects completed during FY ended March 2019

| Client | Project |
|--|--|
| MITSUBISHI ESTATE CO., LTD. The Tokyo Chamber of Commerce and Industry TOKYO KAIKAN CO., LTD | New Construction of Marunouchi Niju-Bashi Building |
| Nippon Television Network Corporation | (Tentative Name) Kojimachi New Studio Construction Project |
| Mitsui Fudosan Co., Ltd MITSUBISHI ESTATE CO., LTD | (Tentative Name) TGMM Shibaura Project New Construction (Building "A" and Hotel) |
| Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Regional Development Bureau | Teshio River Sanru Dam Construction Project Dam Body Construction Work |
| West Nippon Expressway Company Limited | Construction Work of the Shinmeishin Expressway Ikuno-ohashi Bridge (PC upper part Work) |

Net sales increased by 4.1% compared to the previous consolidated fiscal year to ¥ 1,650.8 billion due to increases in Building Construction and Real Estate Development.

Operating income decreased by 15.7% compared to the previous consolidated fiscal year to ¥ 153.3 billion due to declining profit resulting partly from deterioration of gross profit margin in Civil Engineering, Building Construction and Real Estate Development. Ordinary income decreased by 14.8% compared to the previous consolidated fiscal year to ¥ 157.9 billion due to a decrease in operating income, despite an improvement in non-operating income and expenses associated with a decrease in interest expenses, etc. Net income attributable to owners of parent decreased by 11.2% compared to the previous consolidated fiscal year to ¥ 112.5 billion due to an improvement in extraordinary loss (income) accompanying the rebound effect of recorded impairment loss in the previous consolidated fiscal year, etc., and a decrease in income taxes. ROE (return on equity) decreased by 4.3% compared to the previous consolidated fiscal year to 16.2%.

Results according to reporting segment, etc., are as follows (the results for reporting segments include internal transactions between segments).

1. Civil Engineering

In our Group, net sales was almost at the same level compared with the previous consolidated fiscal year at ¥ 468.6 billion. Operating income, meanwhile, decreased by 25.8% year on year to ¥ 53.0 billion due to deterioration of gross profit margin.

(Consolidated) Orders received

| Millions of Yen | | |
|----------------------------------|-------------|-------------|
| | 2018 | 2019 |
| Name of reporting segment, etc.: | | |
| Civil engineering | ¥ 520,407 | ¥ 411,058 |
| Building construction | 1,099,950 | 1,148,973 |
| Real estate development | 113,411 | 124,586 |
| Others | 9,727 | 9,241 |
| Total | ¥ 1,743,497 | ¥ 1,693,859 |

(Consolidated) Sales

| Millions of Yen | | |
|----------------------------------|-------------|-------------|
| | 2018 | 2019 |
| Name of reporting segment, etc.: | | |
| Civil engineering | ¥ 441,269 | ¥ 439,109 |
| Building construction | 1,020,765 | 1,087,671 |
| Real estate development | 113,736 | 114,855 |
| Others | 9,727 | 9,241 |
| Total | ¥ 1,585,497 | ¥ 1,650,877 |

Note: In Orders received and Sales, transactions between segments have been eliminated.

2. Building Construction

In our Group, net sales increased by 6.6% compared with the previous consolidated fiscal year to ¥ 1,130.4 billion due to an increase in net sales for both the Company and its consolidated subsidiaries. Operating income, meanwhile, decreased by 9.0% year on year to ¥ 87.6 billion due to deterioration of gross profit margin.

3. Real Estate Development

As for the real estate industry, the condominium market has shown to be more polarizing as we see that while demand remained strong mainly for properties in central Tokyo and convenient areas close to stations with sales prices continuing to maintain high levels, some properties in the suburbs took a long time to sell. Further, the building leasing market remains steady as the rent continued to moderately rise amid strong demand mainly in central Tokyo.

In our Group, net sales increased by 1.7% compared with the previous consolidated fiscal year to ¥ 121.8 billion, due to an increase in net sales for both the Company and its consolidated subsidiaries. Operating income, meanwhile, decreased by 0.4% year on year to ¥ 12.9 billion due to deterioration of gross profit margin.

4. Other

In our Group, net sales decreased by 1.6% compared with the previous consolidated fiscal year to ¥ 12.1 billion, and operating income increased by 2.7% year on year to ¥ 1.1 billion.

Explanation and Analysis of Business Results

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

Cash Flows

1. Cash Flows from Operating Activities

A balance of expenditure of ¥ 71.0 billion was incurred in this consolidated fiscal year (excess revenue of ¥ 207.0 billion in the previous consolidated fiscal year) due to an increase in trade receivables and other factors, although income before income taxes of ¥ 160.7 billion was earned in this term.

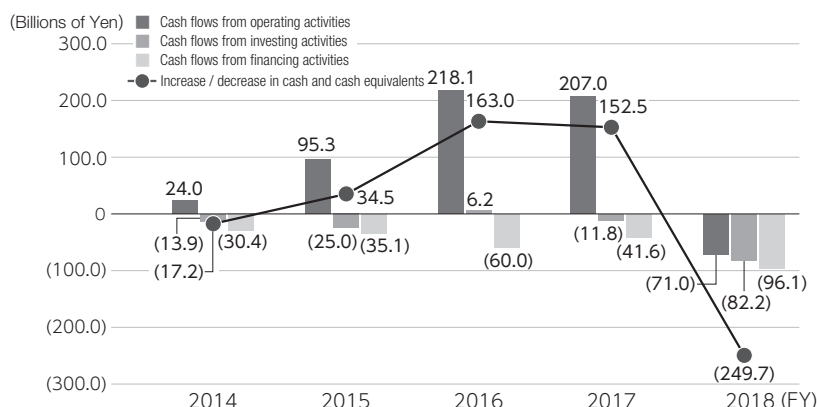
2. Cash Flows from Investing Activities

A balance of expenditure of ¥ 82.2 billion was incurred in this consolidated fiscal year due to the acquisition of property, plant and equipment, etc. (expenditure of ¥ 11.8 billion in the previous consolidated fiscal year).

3. Cash Flows from Financing Activities

A balance of expenditure of ¥ 96.1 billion was incurred in this consolidated fiscal year due to the acquisition of treasury stock and repayment of interest-bearing loans associated with procurement of finance, etc. (expenditure of ¥ 41.6 billion in the previous consolidated fiscal year).

Cash Flows Status



As a result of the above, cash and cash equivalents at the end of this consolidated fiscal year was ¥ 437.5 billion (a decrease of

¥ 249.7 billion compared with the end of the previous consolidated fiscal year).

Financial Position

1. Assets

As a result of a decrease in cash and time deposits, etc., total assets decreased by 3.4% or ¥ 64.4 billion compared with the end of the previous consolidated fiscal year to ¥ 1,846.1 billion.

2. Liabilities

Total liabilities decreased by 9.5% or ¥ 117.7 billion compared with the end of the previous consolidated fiscal year to ¥ 1,123.7 billion, due to a decrease in advances received and progress billings on uncompleted contracts, etc.

3. Net Assets

Net assets increased by 8.0% or ¥ 53.3 billion compared with the end of the previous consolidated fiscal year to ¥ 722.3 billion, due to posting of net income attributable to owners of parent, etc., despite carrying out an acquisition of treasury stock.

As a result of the above, the ratio of capital to assets increased by 4.1% compared with the end of the previous consolidated fiscal year to 39.0%. The balance of interest-bearing loans associated with procurement of finance decreased by ¥ 29.9 billion from the end of the previous consolidated fiscal year to ¥ 217.4 billion.

Dividend Policy

The Company has made it a basic policy to pay long-term stable dividends to shareholders. The Company tries to reinforce internal reserve for the future business operation, and returns the profit to the shareholders by way of a special dividend and the like when the business performance of the Company is well.

With regard to the dividend at the end of the fiscal year ended March 31, 2019, comprehensively taking into account both achievement of greater performance than the initial plan, and business surroundings in the future, etc., it has been decided to allocate a dividend of ¥ 70.00 per share.

As a result, the total dividend for the fiscal year ended March 31, 2019, including the interim dividend, is ¥ 130.00 per share, a ¥ 5 increase compared to the dividend of the previous fiscal year

after taking into consideration the consolidation of shares conducted on October 1, 2017, and the latest dividend forecast.

The Articles of Incorporation of the Company permit an interim dividend to be allocated, in accordance with Paragraph 5 of Article 454 of the Companies Act, with dividends allocated twice every year, at the middle and at the end of the fiscal year. These dividends are decided at the General Meeting of Shareholders for the end of term and the Board meeting for the interim dividend.

At the Board meeting on May 10, 2019, acquisition of treasury stock, the maximum limitation of which is 8,300 thousand shares (¥ 28.0 billion), was resolved in order to increase shareholder returns and to improve the capital efficiency.

Total dividend amount and dividend per share

Resolution meeting date:

Board meeting, November 8, 2018

General Meeting of Shareholders, June 26, 2019

| Millions of Yen | Yen |
|-----------------------|--------------------|
| Total dividend amount | Dividend per share |
| ¥ 13,087 | ¥ 60.00 |
| 15,268 | 70.00 |

Consolidated Balance Sheets

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2018 and 2019

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-------------|--|
| ASSETS | 2018 | 2019 | 2019 |
| Current assets: | | | |
| Cash and time deposits (Notes 3 and 4) | ¥ 687,456 | ¥ 467,750 | \$ 4,214,344 |
| Notes and accounts receivable, trade (Notes 4 and 7) | 441,631 | 542,009 | 4,883,404 |
| Cost on uncompleted contracts | 50,095 | 42,472 | 382,665 |
| Cost on development projects in progress | 86,207 | 96,750 | 871,700 |
| Other inventories | 2,757 | 3,804 | 34,273 |
| Other current assets (Note 7) | 59,514 | 47,773 | 430,426 |
| Allowance for doubtful accounts | (173) | (121) | (1,090) |
| Total current assets | 1,327,487 | 1,200,437 | 10,815,722 |
| Fixed assets: | | | |
| Tangible fixed assets | | | |
| Buildings and structures (Notes 6,10,16 and 20) | 136,975 | 152,138 | 1,370,736 |
| Machinery, vehicles and equipment (Notes 6,16 and 20) | 56,173 | 60,380 | 544,013 |
| Land (Notes 6,10,16,18 and 20) | 119,964 | 135,939 | 1,224,786 |
| Construction in progress | 1,523 | 1,255 | 11,307 |
| Subtotal | 314,635 | 349,712 | 3,150,842 |
| Accumulated depreciation | (126,238) | (129,967) | (1,170,979) |
| Total tangible fixed assets | 188,397 | 219,745 | 1,979,863 |
| Intangible fixed assets (Note 16) | 11,554 | 13,028 | 117,380 |
| Investments and other assets: | | | |
| Investment securities (Notes 4, 5 and 6) | 337,382 | 367,627 | 3,312,253 |
| Net defined benefit asset (Note 11) | 9,561 | 11,387 | 102,595 |
| Deferred income tax assets (Notes 2 and 9) | 6,557 | 3,915 | 35,274 |
| Other assets (Note 6) | 31,413 | 31,806 | 286,566 |
| Allowance for doubtful accounts | (1,753) | (1,769) | (15,938) |
| Total investments and other assets | 383,160 | 412,966 | 3,720,750 |
| Total fixed assets | 583,111 | 645,739 | 5,817,993 |
| Total assets | ¥ 1,910,598 | ¥ 1,846,176 | \$ 16,633,715 |

The accompanying notes are an integral part of these balance sheets.

| LIABILITIES AND NET ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-------------|--|
| | 2018 | 2019 | 2019 |
| Current liabilities: | | | |
| Notes and accounts payable, trade (Notes 4 and 7) | ¥ 509,576 | ¥ 507,335 | \$ 4,570,997 |
| Short-term loans (Notes 4, 6 and 8) | 69,304 | 59,924 | 539,904 |
| Current portion of long-term debt (Notes 4, 6 and 8) | 31,449 | 31,344 | 282,404 |
| Income taxes payable | 30,843 | 18,982 | 171,024 |
| Advances received and progress billings on uncompleted contracts | 148,516 | 99,746 | 898,694 |
| Deposits received (Note 4) | 182,142 | 155,030 | 1,396,793 |
| Allowance for warranty on completed contracts | 3,129 | 3,475 | 31,309 |
| Allowance for losses on construction contracts (Note 16) | 9,394 | 2,761 | 24,876 |
| Allowance for losses on order received | 3 | — | — |
| Allowance for losses on Anti-Monopoly Act | — | 9,129 | 82,251 |
| Other current liabilities (Note 7) | 38,270 | 37,065 | 333,949 |
| Total current liabilities | 1,022,626 | 924,791 | 8,332,201 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 4 and 8) | 147,321 | 126,850 | 1,142,896 |
| Deferred income tax liabilities (Notes 2 and 9) | 1,431 | 6,199 | 55,852 |
| Deferred income tax liabilities for revaluation of land (Notes 9 and 18) ... | 3,286 | 3,286 | 29,606 |
| Retirement benefits for directors and audit & supervisory board members .. | 391 | 417 | 3,757 |
| Allowance for losses on investments in subsidiaries and affiliates ... | 40 | 16 | 144 |
| Allowance for environmental spending | 89 | 44 | 396 |
| Allowance for losses on Anti-Monopoly Act | 10,694 | — | — |
| Net defined benefit liability (Note 11) | 35,787 | 42,022 | 378,611 |
| Other long-term liabilities | 19,913 | 20,161 | 181,647 |
| Total long-term liabilities | 218,952 | 198,995 | 1,792,909 |
| Total liabilities | 1,241,578 | 1,123,786 | 10,125,110 |
| Net assets (Notes 12 and 21): | | | |
| Shareholders' equity: | | | |
| Common stock | | | |
| Authorized: 440,000,000 shares | | | |
| Issued: 224,541,172 shares | 122,742 | 122,742 | 1,105,883 |
| Capital surplus | 60,199 | 60,199 | 542,382 |
| Retained earnings | 382,462 | 465,127 | 4,190,711 |
| Less: Treasury stock, at cost (Note 23) | (1,490) | (37,503) | (337,895) |
| Total shareholders' equity (Note 23) | 563,913 | 610,565 | 5,501,081 |
| Accumulated other comprehensive income: | | | |
| Unrealized holding gains on securities, net of taxes | 98,579 | 108,782 | 980,106 |
| Deferred losses on hedging derivatives, net of taxes (Note 14) ... | (115) | (74) | (667) |
| Revaluation reserve for land (Note 18) | (1,245) | (1,245) | (11,217) |
| Foreign currency translation adjustments | (3,058) | (3,343) | (30,120) |
| Remeasurements of defined benefit plans, net of taxes (Note 11) ... | 9,079 | 5,738 | 51,699 |
| Total accumulated other comprehensive income ... | 103,240 | 109,858 | 989,801 |
| Non-controlling interests: | 1,867 | 1,967 | 17,723 |
| Total net assets | 669,020 | 722,390 | 6,508,605 |
| Total liabilities and net assets | ¥ 1,910,598 | ¥ 1,846,176 | \$ 16,633,715 |

Consolidated Statements of Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-------------|--|
| | 2018 | 2019 | 2019 |
| Revenue: | | | |
| Net sales (Note 16): | | | |
| Construction contracts | ¥ 1,445,277 | ¥ 1,511,724 | \$ 13,620,362 |
| Real estate development (and other) (Note 10) | 140,221 | 139,154 | 1,253,753 |
| | 1,585,498 | 1,650,878 | 14,874,115 |
| Costs and expenses (Note 16): | | | |
| Cost of sales (Note 19) | 1,318,880 | 1,409,418 | 12,698,604 |
| Selling, general and administrative expenses (Note 19) | 84,758 | 88,136 | 794,089 |
| | 1,403,638 | 1,497,554 | 13,492,693 |
| Operating income (Note 16) | 181,860 | 153,324 | 1,381,422 |
| Other income (expenses): | | | |
| Interest and dividend income | 4,332 | 4,526 | 40,778 |
| Interest expenses | (1,684) | (1,278) | (11,515) |
| Taxes and dues | (12) | (445) | (4,009) |
| Commission expenses | (45) | (356) | (3,207) |
| Investment gain on equity method | 1,004 | 1,283 | 11,560 |
| Gains on sales of investment securities (Note 5) | 779 | 153 | 1,379 |
| Gains on sales of tangible fixed assets | 35 | 1,642 | 14,794 |
| Reversal of allowance for losses on Anti-Monopoly Act | 117 | 1,565 | 14,100 |
| Write-down of marketable and investment securities (Note 5) ... | (4) | (92) | (829) |
| Loss on disposal of fixed assets | (275) | (188) | (1,694) |
| Loss on investments in related companies | — | (167) | (1,505) |
| Impairment losses on fixed assets (Notes 16 and 20) | (3,631) | (340) | (3,063) |
| Other, net (Note 5) | (179) | 1,150 | 10,361 |
| | 437 | 7,453 | 67,150 |
| Income before income taxes | 182,297 | 160,777 | 1,448,572 |
| Income taxes (Note 9): | | | |
| Current | (51,437) | (43,594) | (392,774) |
| Deferred | (4,071) | (4,481) | (40,373) |
| | (55,508) | (48,075) | (433,147) |
| Net income | 126,789 | 112,702 | 1,015,425 |
| Net income (loss) attributable to non-controlling interests | (1) | (130) | (1,171) |
| Net income attributable to owners of parent | ¥ 126,788 | ¥ 112,572 | \$ 1,014,254 |

| | Yen | U.S. Dollars (Note 1) |
|---|----------|--------------------------|
| Amounts per share of common stock: | | |
| Net income (Note 21) | ¥ 561.36 | \$ 4.61 |
| Diluted net income (Note 21) | — | — |
| Cash dividends applicable to the year (Note 12) | 85.00 | 1.17 |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-----------|--|
| | 2018 | 2019 | 2019 |
| Net income | ¥ 126,789 | ¥ 112,702 | \$ 1,015,425 |
| Other comprehensive income (Note 22): | | | |
| Unrealized holding gains on securities, net of taxes | 16,112 | 10,205 | 91,945 |
| Deferred gains (losses) on hedging derivatives, net of taxes ... | (7) | 8 | 72 |
| Foreign currency translation adjustments | (30) | (239) | (2,153) |
| Remeasurements of defined benefit plans, net of taxes | 5,794 | (3,351) | (30,192) |
| Share of other comprehensive income of associates accounted for by the equity method ... | (1) | (35) | (315) |
| Total other comprehensive income | 21,868 | 6,588 | 59,357 |
| Comprehensive income | ¥ 148,657 | ¥ 119,290 | \$ 1,074,782 |
| Comprehensive income attribute to: | | | |
| Owners of parent | ¥ 148,662 | ¥ 119,190 | \$ 1,073,881 |
| Non-controlling interests | (5) | 100 | 901 |

The accompanying notes are an integral part of these statements.

About the Taisei Group

Toward Sustainable Growth of the Taisei Group

Special Feature

Business Section

ESG Section

Data Section

Consolidated Statements of Changes in Net Assets

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

Millions of Yen

| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
|--|------------------|-----------------|----------------------|-------------------|----------------------------------|
| Balance at March 31, 2017 | ¥ 122,742 | ¥ 85,150 | ¥ 278,614 | ¥ (1,110) | ¥ 485,396 |
| Dividends | — | — | (24,958) | — | (24,958) |
| Net income attributable to owners of parent | — | — | 126,788 | — | 126,788 |
| Acquisition of treasury stock | — | — | — | (25,047) | (25,047) |
| Sale of treasury stock | — | 0 | — | 2 | 2 |
| Retirement of treasury stock | — | (24,665) | — | 24,665 | — |
| Reversal of revaluation reserve for land | — | — | 2,018 | — | 2,018 |
| Changes of shares from transaction with non-controlling shareholders ... | — | (286) | — | — | (286) |
| Changes other than shareholders' equity, net | — | — | — | — | — |
| Balance at March 31, 2018 | ¥ 122,742 | ¥ 60,199 | ¥ 382,462 | ¥ (1,490) | ¥ 563,913 |
| Dividends | — | — | (29,907) | — | (29,907) |
| Net income attributable to owners of parent | — | — | 112,572 | — | 112,572 |
| Acquisition of treasury stock | — | — | — | (36,014) | (36,014) |
| Sale of treasury stock | — | (0) | — | 1 | 1 |
| Retirement of treasury stock | — | — | — | — | — |
| Reversal of revaluation reserve for land | — | — | — | — | — |
| Changes of shares from transaction with non-controlling shareholders ... | — | — | — | — | — |
| Changes other than shareholders' equity, net | — | — | — | — | — |
| Balance at March 31, 2019 | ¥ 122,742 | ¥ 60,199 | ¥ 465,127 | ¥ (37,503) | ¥ 610,565 |

Thousands of U.S. Dollars (Note 1)

| | Common Stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
|--|---------------------|-------------------|----------------------|---------------------|----------------------------------|
| Balance at March 31, 2018 | \$ 1,105,883 | \$ 542,382 | \$ 3,445,914 | \$ (13,424) | \$ 5,080,755 |
| Dividends | — | — | (269,457) | — | (269,457) |
| Net income attributable to owners of parent | — | — | 1,014,254 | — | 1,014,254 |
| Acquisition of treasury stock | — | — | — | (324,480) | (324,480) |
| Sale of treasury stock | — | (0) | — | 9 | 9 |
| Retirement of treasury stock | — | — | — | — | — |
| Reversal of revaluation reserve for land | — | — | — | — | — |
| Changes of shares from transaction with non-controlling shareholders ... | — | — | — | — | — |
| Changes other than shareholders' equity, net | — | — | — | — | — |
| Balance at March 31, 2019 | \$ 1,105,883 | \$ 542,382 | \$ 4,190,711 | \$ (337,895) | \$ 5,501,081 |

The accompanying notes are an integral part of these statements.

Millions of Yen

| Unrealized holding gains on securities, net of taxes | Deferred losses on hedging derivatives, net of taxes | Revaluation reserve for land | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of taxes | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
|--|--|------------------------------|--|---|--|---------------------------|------------------|
| ¥ 82,463 | ¥ (158) | ¥ 773 | ¥ (2,969) | ¥ 3,275 | ¥ 83,384 | ¥ 2,034 | ¥ 570,814 |
| — | — | — | — | — | — | — | (24,958) |
| — | — | — | — | — | — | — | 126,788 |
| — | — | — | — | — | — | — | (25,047) |
| — | — | — | — | — | — | — | 2 |
| — | — | — | — | — | — | — | — |
| — | — | (2,018) | — | — | (2,018) | — | — |
| — | — | — | — | — | — | — | (286) |
| 16,116 | 43 | — | (89) | 5,804 | 21,874 | (167) | 21,707 |
| ¥ 98,579 | ¥ (115) | ¥ (1,245) | ¥ (3,058) | ¥ 9,079 | ¥ 103,240 | ¥ 1,867 | ¥ 669,020 |
| — | — | — | — | — | — | — | (29,907) |
| — | — | — | — | — | — | — | 112,572 |
| — | — | — | — | — | — | — | (36,014) |
| — | — | — | — | — | — | — | 1 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| 10,203 | 41 | — | (285) | (3,341) | 6,618 | 100 | 6,718 |
| ¥ 108,782 | ¥ (74) | ¥ (1,245) | ¥ (3,343) | ¥ 5,738 | ¥ 109,858 | ¥ 1,967 | ¥ 722,390 |

Thousands of U.S. Dollars (Note 1)

| Unrealized holding gains on securities, net of taxes | Deferred losses on hedging derivatives, net of taxes | Revaluation reserve for land | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of taxes | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
|--|--|------------------------------|--|---|--|---------------------------|------------------|
| \$ 888,179 | \$ (1,036) | \$ (11,217) | \$ (27,552) | \$ 81,800 | \$ 930,174 | \$ 16,821 | \$ 6,027,750 |
| — | — | — | — | — | — | — | (269,457) |
| — | — | — | — | — | — | — | 1,014,254 |
| — | — | — | — | — | — | — | (324,480) |
| — | — | — | — | — | — | — | 9 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| 91,927 | 369 | — | (2,568) | (30,101) | 59,627 | 902 | 60,529 |
| \$ 980,106 | \$ (667) | \$ (11,217) | \$ (30,120) | \$ 51,699 | \$ 989,801 | \$ 17,723 | \$ 6,508,605 |

Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

Thousands of
U.S. Dollars
(Note 1)

| | Millions of Yen | | |
|---|-----------------|-----------|--------------|
| | 2018 | 2019 | 2019 |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 182,297 | ¥ 160,777 | \$ 1,448,572 |
| Depreciation and amortization | 7,050 | 7,856 | 70,781 |
| Impairment losses on fixed assets | 3,631 | 340 | 3,063 |
| Increase (decrease) in allowance for doubtful accounts | (836) | (37) | (333) |
| Increase (decrease) in allowance for losses on construction contracts | (6,272) | (6,633) | (59,762) |
| Increase (decrease) in net defined benefit liability | (5,476) | 6,235 | 56,176 |
| Increase (decrease) in allowance for losses on Anti-Monopoly Act | (342) | (1,565) | (14,100) |
| Interest and dividend income | (4,332) | (4,526) | (40,778) |
| Interest expenses | 1,684 | 1,278 | 11,515 |
| Write-down of marketable and investment securities | 4 | 92 | 829 |
| Gain (loss) on sale of marketable and investment securities | (758) | (123) | (1,108) |
| Loss on investments in related companies | — | 167 | 1,505 |
| Losses (gains) on sales of tangible fixed assets | (35) | (1,642) | (14,794) |
| Losses on disposal of fixed assets | 275 | 188 | 1,694 |
| Investment losses (gains) on equity method | (1,004) | (1,283) | (11,560) |
| Decrease (increase) in trade receivables | (21,538) | (99,707) | (898,342) |
| Decrease (increase) in cost on uncompleted contract | 16,948 | 7,641 | 68,844 |
| Decrease (increase) in inventories | (4,615) | (10,239) | (92,252) |
| Decrease (increase) in other inventories | 704 | (1,047) | (9,433) |
| Decrease (increase) in accounts receivables - other | 4,085 | 11,545 | 104,018 |
| Decrease (increase) in other current assets | 3,356 | 233 | 2,099 |
| Decrease (increase) in net defined benefit asset | 1,217 | (1,822) | (16,416) |
| Decrease (increase) in investment and other assets | 3,374 | (251) | (2,262) |
| Increase (decrease) in trade payables | 85,141 | (3,127) | (28,174) |
| Increase (decrease) in advances received and progress billings on uncompleted contracts | (27,146) | (48,947) | (441,004) |
| Increase (decrease) in deposits received | 11,011 | (27,110) | (244,256) |
| Other, net | 6,520 | (7,882) | (71,015) |
| | 254,943 | (19,589) | (176,493) |
| Cash received (paid) during the year for: | | | |
| Interest and dividend received | 4,792 | 4,972 | 44,797 |
| Interest paid | (1,684) | (1,283) | (11,560) |
| Income taxes paid | (51,031) | (55,128) | (496,694) |
| Net cash provided by (used in) operating activities | 207,020 | (71,028) | (639,950) |
| Cash flows from investing activities: | | | |
| Decrease (increase) in time deposits | 705 | (30,056) | (270,799) |
| Purchase of marketable and investment securities | (6,171) | (17,363) | (156,438) |
| Proceeds from sale of marketable and investment securities | 2,041 | 2,117 | 19,074 |
| Purchase of property, equipment and intangible assets | (9,354) | (46,645) | (420,263) |
| Proceeds from sale of property, equipment and intangible assets | 591 | 9,478 | 85,395 |
| Other, net | 336 | 180 | 1,622 |
| Net cash provided by (used in) investing activities | (11,852) | (82,289) | (741,409) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term loans | (2,105) | (9,380) | (84,512) |
| Proceeds from long-term loans | 44,850 | 12,600 | 113,524 |
| Repayment of long-term loans | (43,404) | (19,726) | (177,728) |
| Repayment of long-term non-recourse loans | (100) | (2,950) | (26,579) |
| Redemption of non-recourse bonds | — | (500) | (4,505) |
| Issue of bonds | 19,968 | — | — |
| Redemption of bonds | (10,000) | (10,000) | (90,098) |
| Acquisition of treasury stock | (25,047) | (36,014) | (324,480) |
| Cash dividends paid, including those to minority interest | (24,958) | (29,907) | (269,457) |
| Other, net | (887) | (321) | (2,892) |
| Net cash provided by (used in) financing activities | (41,683) | (96,198) | (866,727) |
| Effect of exchange rate changes on cash and cash equivalents | (925) | (247) | (2,225) |
| Net increase (decrease) in cash and cash equivalents | 152,560 | (249,762) | (2,250,311) |
| Cash and cash equivalents at beginning of year | 534,787 | 687,347 | 6,192,873 |
| Cash and cash equivalents at end of year (Note 3) | ¥ 687,347 | ¥ 437,585 | \$ 3,942,562 |

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Taisei Corporation (the "Company") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information, included in the statutory Japanese language consolidated financial statements but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥ 110.99 to U.S. \$ 1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation and equity method

The Company prepares the consolidated financial statements including the accounts of the Company and those of its majority-owned subsidiaries, whether directly or indirectly controlled. The consolidated financial statements include the accounts of 32 subsidiaries for the year ended March 31, 2019 (31 subsidiaries for the year ended March 31, 2018). TAISEI PHILIPPINE CONSTRUCTION, Inc., which had been an equity method affiliate, was included in the scope of consolidation due to the acquisition of shares by the Group. In addition, TAISEI CONCESSION CORPORATION and one other company were included in the scope of consolidation by new establishments.

YB HAMACHO KAIHATSU TMK. and one other company were excluded from the scope of consolidation by liquidation.

Exclusion of certain small-scale subsidiaries from the scope of consolidation does not have material impact on the consolidated financial statements.

All significant intercompany transactions, account balances and unrealized gains or losses have been eliminated in consolidation.

The financial statements of non-consolidated subsidiaries, and investments in affiliated companies in which the Group does not have control but has the ability to exercise significant influence, are accounted for by the equity method.

The financial statements in 20 non-consolidated subsidiaries, mainly consist of TOKYO ACADEMIC SERVICE Co., Ltd. and EHIME HOSPITAL PARTNERS Co., Ltd. are accounted for by the equity method for the year ended March 31, 2018 and 2019.

Investments in 38 affiliated companies are also accounted for by the equity method for the year ended March 31, 2019 (40 affiliated companies for the year ended March 31, 2018). TAISEI PHILIPPINE CONSTRUCTION, Inc. was excluded from the scope of equity method as the company was included in the scope of consolidation. One other affiliate was excluded from the scope of equity method due to sales of shares by the Company.

Exclusion of certain small-scale non-consolidated subsidiaries and the affiliated company from the scope of equity method does not have material effect on the consolidated financial statements.

All consolidated subsidiaries other than 11 consolidated overseas subsidiaries have the same balance sheet date, March 31, corresponding with that of the Company. As for the 11 consolidated overseas subsidiaries whose fiscal year ends at December 31, their financial statements as of December 31 are used in preparation of the consolidated financial statements. Significant transactions, if any, in the period from January 1 to March 31 have been adjusted in the consolidated financial statements.

(b) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of the investments in subsidiaries, the assets and liabilities of the subsidiaries including the portion allocated to non-controlling interests are recorded based on their fair value at the time the Company acquired control of the respective subsidiaries.

(c) Goodwill included in Intangible assets

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for by the equity method are recognized as goodwill (negative goodwill, if credit balance), and amortized principally over the estimated useful lives or less than twenty years on a straight-line basis. However, immaterial goodwill is charged to income in the year of acquisition. Negative goodwill is credited to income upon occurrence.

(d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. The resulting exchange gains and losses are reflected in the consolidated statements of income. All revenues and expenses associated with foreign currencies are translated at rates of exchange prevailing when such transactions are made.

The financial statements of consolidated foreign subsidiaries and affiliated companies under the equity method are translated into Japanese yen at exchange rates prevailing at the respective year-end dates except for shareholders' equity accounts, which are translated at historical rates. The resulting foreign currency translation adjustments are presented in accumulated other comprehensive income in the net assets section of the consolidated balance sheets.

(e) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the date of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

(f) Securities

Securities held by the Group are classified into (a) debt securities intended to be held to maturity, (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities that are not classified in any of the categories above (hereafter "available-for-sale securities").

Debt securities intended to be held to maturity are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for by the equity method are stated at moving-average cost. Available-for-sale securities with available fair market value is stated at fair market value. Unrealized holding gains and losses on securities, net of taxes are reported as a separate component of accumulated other comprehensive income in the net assets section. Realized gains and losses on sales of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

(g) Revenue Recognition of Construction

Revenue associated with construction contracts of which the outcome can be reliably estimated is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for by the completed-contract method. The percentage of completion at the end of the reporting period is determined by the percentage of the cost incurred to the estimated total costs.

(h) Inventories

The Company and its certain subsidiaries develop real estate projects on their own account. Cost on development projects in progress are mainly stated at the lower of cost based on the specific-identification cost method or net realizable value. For this purpose, the cost includes the purchase cost of land, incidental costs, direct development costs and (in relation to certain developments by one of the subsidiaries) interest expenses.

Cost on uncompleted contracts is mainly stated at cost based on the specific-identification cost method.

(i) Tangible Fixed Assets

Tangible fixed assets except for buildings and structures are recorded at cost and depreciated principally by the declining-balance method over the standard useful lives prescribed in the Corporation Tax Law. Buildings and structures are principally depreciated by the straight-line method.

(j) Accounting for Lease Transactions

Finance leases, except for certain immaterial or short-term finance leases in which ownership is not transferred to lessee, are capitalized. Capitalized leased assets whose ownership is transferred to lessee are depreciated by the same method of depreciation applied to property, plant and equipment. Capitalized leased assets whose ownership is not transferred to lessee are depreciated to a residual value of zero by the straight-line method over a useful life period corresponding to the lease contract period.

(k) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until related losses or gains on hedged items are recognized.

If interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contract were executed.

(l) Income Taxes

The Company and its wholly owned domestic subsidiaries apply the system of consolidated tax returns.

(m) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to reserve for probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

(n) Allowance for Warranty on Completed Contracts

Allowance for warranty on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain periods.

(o) Allowance for Losses on Construction Contracts

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

(p) Allowance for Losses on Order Received

Allowance for losses on order received is provided with respect to orders (excluding construction contracts) for which eventual losses are reasonably estimated.

(q) Retirement Benefits for Directors and Audit & Supervisory Board Members

Retirement benefits for directors and audit & supervisory board members of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

(r) Allowance for Losses on Investments in Subsidiaries and Affiliates

Allowance for losses on investments in subsidiaries and affiliates is provided for estimated losses from certain subsidiaries and affiliates in liquidation.

(s) Allowance for Environmental Spending

Allowance for environmental spending is provided based on estimated costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is obligated to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(t) Allowance for Losses on Anti-Monopoly Act

Allowance for losses on Anti-Monopoly Act is provided based on estimated payment for penalties under the Anti-Monopoly Act.

(u) Accounting Method for Retirement Benefit

Net defined benefit liability is provided for severance and retirement benefits for employees and executive officers of the Company's certain consolidated subsidiaries based on estimated amounts of projected benefit obligations and plan assets at the year-end.

In calculating projected benefit obligations, the method of attributing estimated amounts of retirement benefits to the period until this fiscal year is based on the benefit formula basis.

Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent fiscal year (some consolidated subsidiaries amortize actuarial gains and losses from the current fiscal year) using the straight line method (some consolidated subsidiaries use the declining balance method) over 1-10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

(v) Net Income and Cash Dividends per Share

Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year. Cash dividends per share shown for each year represent dividends declared as applicable to the respective years.

(w) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no impact on previously reported results of operations or retained earnings.

(x) Accounting standard issued but not yet effective

The following standard and guidance were issued but are not yet effective

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

The IASB and the FASB jointly developed and issued a converged Standard on the recognition of 'Revenue from Contracts with Customers' (IFRS 15 for IASB and Topic 606 for FASB.) in May, 2014. IFRS 15 will be applied from the fiscal year beginning on or after January 1, 2018 and Topic 606 will be applied from the fiscal year beginning after December 15, 2017. Under these circumstances, the ASBJ developed the converged standard for revenue recognition and issued the "Accounting Standard for Revenue Recognition" along with "Implementation Guidance on Accounting Standard for Revenue Recognition".

In developing the 'Accounting Standard for Revenue Recognition,' the principal policy of the ASBJ is to incorporate the basic concept of IFRS 15 from the perspective of comparability between financial statements, as one way to establish consistency with IFRS 15. The ASBJ will add alternative treatments in the case that there are different accounting treatments prevalent in accounting practices in Japan that require consideration, to the extent that they do not impair comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(y) Changes in presentation

(1) Changes due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

(ASBJ Statement No.28, February 16, 2018 ("Statement No.28"))

The Group applied Statement No.28 from the beginning of this fiscal year. Accordingly, the Group changed the presentation, such that deferred income tax assets and deferred income tax liabilities are classified as part of investments and other assets and long-term liabilities, respectively.

As a result, deferred income tax assets of ¥ 24,777 million classified as "current assets" have been included in deferred income tax assets ¥ 6,557 million in "investments and other assets" in the consolidated balance sheet as of the end of the previous fiscal year. In addition, due to the effect of offsetting deferred income tax assets and deferred income tax liabilities by the same taxable entity, total assets and total liabilities decreased by ¥ 20,227 million, respectively.

3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2018 and 2019 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2018 | 2019 |
| Cash and time deposits | ¥ 687,456 | ¥ 467,750 |
| Less: Time deposits with maturities exceeding three months | (109) | (30,165) |
| Cash and cash equivalents | ¥ 687,347 | ¥ 437,585 |

4. Financial Instruments

(1) Policies for using financial instruments

The Group restricts investments to the low risk assets such as deposits, and raise funds by the indirect finance such as loans from bank as well as by the direct finance such as issuing corporate bonds or commercial papers.

Derivative financial instruments are employed mainly for hedging fluctuation in interest rate and foreign currency exchange, not for speculation.

Receivables: trade notes and trade accounts are exposed to the credit risks of customers. In order to reduce such risks, the Group conducts strict credit examinations when orders are received, and afterward manage the receivables individually and make effort to detect reduction of credit risks early.

For investment securities which are mainly debt securities intended to be held to maturity and shares held to keep the relationship with business partners, the Group regularly monitors the fair value or financial positions of the invested companies, and revises the portfolio timely (except for debt securities intended to be held to maturity) considering the relationship with them.

Debts, trade payables: trade notes and trade accounts are debts mostly due within one year. Loans, commercial papers and bonds are primarily for working capital, and have maturity dates of five years or less. Although the loans or bonds issued at variable rates are exposed to interest rate fluctuation risk, the risk is hedged by derivative transactions (interest rate swap contracts).

The Group primarily utilizes derivative transactions related to interest rates in order to mitigate the fluctuation risk in interest rates or to reduce financing costs, and derivative transactions related to currency in order to mitigate the foreign exchange risk. These transactions are exposed to the fluctuation risk in interest rates and the foreign exchange risk. However, the Group is exposed to limited risk, because most of them are hedged by the corresponding transactions. They consider the credit risk to be low, because they conduct derivative transactions solely with reliable international financial institutions.

The Group executes and manages derivative transactions in accordance with internal rules. Their Finance Departments are responsible for conducting, evaluating transactions and managing related risks.

(2) Fair Value of Financial Instruments

Book value of the financial instruments was included in the consolidated balance sheet, the fair value of said items as of March 31, 2018 and 2019, was as follows. Items for which it is extremely difficult to calculate the fair value were not included in the following table (see "Note 2" below).

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

| | Millions of Yen | | |
|--|-----------------|------------|------------|
| | 2018 | | |
| | Book Value | Fair Value | Difference |
| [ASSETS] | | | |
| Cash and time deposits | ¥ 687,456 | ¥ 687,456 | ¥ — |
| Notes and accounts receivable, trade | 441,631 | 441,627 | (4) |
| Investment securities | | | |
| Debt securities intended to be held to maturity | 662 | 678 | 16 |
| Available-for-sale securities | 270,938 | 270,938 | — |
| [LIABILITIES] | | | |
| Notes and accounts payable, trade | 509,576 | 509,576 | — |
| Short-term loans and long term loans due within one year | 87,030 | 87,114 | (84) |
| Short-term non-recourse loans payable | 2,950 | 2,967 | (17) |
| Straight bonds due within one year | 10,000 | 10,012 | (12) |
| Non-recourse bonds due within one year | 500 | 503 | (3) |
| Deposits received | 182,142 | 182,142 | — |
| Straight bonds | 40,000 | 40,309 | (309) |
| Long-term loans | 106,900 | 107,813 | (913) |
| [Derivative financial instruments (*)] | (10) | (10) | — |

| | Millions of Yen | | |
|--|-----------------|------------|------------|
| | 2019 | | |
| | Book Value | Fair Value | Difference |
| [ASSETS] | | | |
| Cash and time deposits | ¥ 467,750 | ¥ 467,750 | ¥ — |
| Notes and accounts receivable, trade | 542,009 | 542,009 | (0) |
| Investment securities | | | |
| Debt securities intended to be held to maturity | 619 | 631 | 12 |
| Available-for-sale securities | 299,246 | 299,246 | — |
| [LIABILITIES] | | | |
| Notes and accounts payable, trade | 507,335 | 507,335 | — |
| Short-term loans and long term loans due within one year | 90,952 | 91,072 | (120) |
| Short-term non-recourse loans payable | — | — | — |
| Straight bonds due within one year | — | — | — |
| Non-recourse bonds due within one year | — | — | — |
| Deposits received | 155,030 | 155,030 | — |
| Straight bonds | 40,000 | 40,394 | (394) |
| Long-term loans | 86,472 | 87,196 | (724) |
| [Derivative financial instruments (*)] | 1 | 1 | — |

| | Thousands of U.S. dollars | | |
|--|---------------------------|--------------|------------|
| | 2019 | | |
| | Book Value | Fair Value | Difference |
| [ASSETS] | | | |
| Cash and time deposits | \$ 4,214,344 | \$ 4,214,344 | \$ — |
| Notes and accounts receivable, trade | 4,883,404 | 4,883,404 | (0) |
| Investment securities | | | |
| Debt securities intended to be held to maturity | 5,577 | 5,685 | 108 |
| Available-for-sale securities | 2,696,153 | 2,696,153 | — |
| [LIABILITIES] | | | |
| Notes and accounts payable, trade | 4,570,997 | 4,570,997 | — |
| Short-term loans and long term loans due within one year | 819,461 | 820,542 | (1,081) |
| Short-term non-recourse loans payable | — | — | — |
| Straight bonds due within one year | — | — | — |
| Non-recourse bonds due within one year | — | — | — |
| Deposits received | 1,396,793 | 1,396,793 | — |
| Straight bonds | 360,393 | 363,943 | (3,550) |
| Long-term loans | 779,097 | 785,620 | (6,523) |
| [Derivative financial instruments (*)] | 9 | 9 | — |

(*) Note: The assets and liabilities are reported as net amounts. Any items for which the total becomes a net liability are indicated in parentheses.

Note 1: The calculation method of the fair value of financial instrument and securities, derivative transactions
[ASSETS]

· Cash and time deposits and Notes and accounts receivable, trade

The fair value of these financial instruments is almost equivalent to the book value, due to the short term settlements; although, the fair value of receivables due after one year is based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks with respect to each receivables categorized by collection terms.

· Investment securities

The fair value of marketable securities is based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker or the present value of discounted cash flows.

See the notes on "5. Securities" for notes pertaining to securities categorized by the purposes for which they are held.

[LIABILITIES]

· Notes and accounts payable, trade, Short-term loans and Long term loans due within one year and Deposits received

The fair value of these financial instruments are almost equivalent to the book value, due to the short term settlements; although, the fair value of long-term loans due within one year is based on the same method as that for long-term loans.

· Short-term non-recourse loans payable and Long-term loans

The fair value of these financial instruments is based on the present value of discounted cash flows by the interest rate which may be applicable when the same kind of loans is conducted.

· Bonds

The fair value of marketable bonds is based on the quoted market value, otherwise the fair value of nonmarketable bonds is based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk.

[Derivative financial instruments]

See the notes on "14. Derivative Transactions".

Note 2: Financial instruments which are extremely difficult to calculate the fair value

Nonmarketable securities (book value amount to ¥ 65,782 million and ¥ 67,762 million (\$ 610,523 thousand) as of March 31, 2018 and 2019, respectively) are not included in the [Assets] Investment securities–Available-for-sale securities above, as it is extremely difficult to calculate the fair value because they have no quoted market prices and the future cash flows cannot be estimated.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturities as of March 31, 2018 and 2019 were as follows:

| Millions of Yen | | | |
|---|---------------------|--|---|
| 2018 | | | |
| | Due within one year | Due after one year but within five years | Due after five years but within ten years |
| Time deposits | ¥ 687,018 | ¥ — | ¥ — |
| Notes and accounts receivable, trade | 440,051 | 1,580 | — |
| Investment securities | | | |
| Debt securities intended to be held to maturity | | | |
| Government bonds | 45 | 381 | 236 |
| Available-for-sale securities | | | |
| Government bonds | 0 | — | — |
| Total | ¥ 1,127,114 | ¥ 1,961 | ¥ 236 |

| Millions of Yen | | | |
|---|---------------------|--|---|
| 2019 | | | |
| | Due within one year | Due after one year but within five years | Due after five years but within ten years |
| Time deposits | ¥ 467,333 | ¥ — | ¥ — |
| Notes and accounts receivable, trade | 540,248 | 1,761 | — |
| Investment securities | | | |
| Debt securities intended to be held to maturity | | | |
| Government bonds | 337 | 83 | 199 |
| Available-for-sale securities | | | |
| Government bonds | 1 | — | — |
| Total | ¥ 1,007,919 | ¥ 1,844 | ¥ 199 |

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

Thousands of U.S. Dollars

| | 2019 | | |
|---|---------------------|--|---|
| | Due within one year | Due after one year but within five years | Due after five years but within ten years |
| Time deposits | \$ 4,210,586 | \$ — | \$ — |
| Notes and accounts receivable, trade | 4,867,538 | 15,866 | — |
| Investment securities | | | |
| Debt securities intended to be held to maturity | | | |
| Government bonds | 3,036 | 748 | 1,793 |
| Available-for-sale securities | | | |
| Government bonds | 9 | — | — |
| Total | \$ 9,081,169 | \$ 16,614 | \$ 1,793 |

Note 4: See the notes on “8. Short-term Loans and Long-term Debt” for notes pertaining to the aggregate annual maturities of long term debt after the consolidated balance sheet date.

5. Securities

(1) Following tables summarized acquisition costs, book value and fair value of securities with fair value available as of March 31, 2018 and 2019:

(a) Debt securities intended to be held to maturity:

· Securities with fair value exceeding book value

| Type | Millions of Yen | | | Thousands of U.S. Dollars | | |
|------------------------|-----------------|------------|------------|---------------------------|------------|------------|
| | 2018 | | | 2019 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Government bonds | ¥ 662 | ¥ 678 | ¥ 16 | \$ 5,577 | \$ 5,685 | \$ 108 |

Securities with fair value not exceeding book value were not applicable as of March 31, 2018 and 2019.

(b) Available-for-sale securities:

· Securities with book value exceeding acquisition costs

| Type | Millions of Yen | | | Thousands of U.S. Dollars | | |
|-------------------------|-----------------|------------------|------------|---------------------------|------------------|--------------|
| | 2018 | | | 2019 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Equity securities | ¥ 257,429 | ¥ 113,851 | ¥ 143,578 | \$ 2,536,048 | \$ 1,103,307 | \$ 1,432,741 |
| Government bonds | — | — | — | — | — | — |
| Others | 975 | 642 | 333 | 9,947 | 5,784 | 4,163 |
| Total | ¥ 258,404 | ¥ 114,493 | ¥ 143,911 | \$ 2,545,995 | \$ 1,109,091 | \$ 1,436,904 |

· Securities with book value not exceeding acquisition costs

| Type | Millions of Yen | | |
|-------------------------|-----------------|------------------|------------|
| | 2018 | | |
| | Book value | Acquisition cost | Difference |
| Equity securities | ¥ 12,420 | ¥ 14,291 | ¥ (1,871) |
| Government bonds | 0 | 0 | (0) |
| Others | 114 | 114 | (0) |
| Total | ¥ 12,534 | ¥ 14,405 | ¥ (1,871) |

| Type | Millions of Yen | | | Thousands of U.S. Dollars | | |
|-------------------------|-----------------|------------------|------------|---------------------------|------------------|-------------|
| | 2019 | | | 2019 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Equity securities | ¥ 16,551 | ¥ 19,284 | ¥ (2,733) | \$ 149,122 | \$ 173,746 | \$ (24,624) |
| Government bonds | 1 | 1 | (0) | 9 | 9 | (0) |
| Others | 114 | 114 | (0) | 1,027 | 1,027 | (0) |
| Total | ¥ 16,666 | ¥ 19,399 | ¥ (2,733) | \$ 150,158 | \$ 174,782 | \$ (24,624) |

(2) Total sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2018 and 2019 were as follows:

| Type | Millions of Yen | | |
|--|-------------------|--------|---------|
| | 2018 | | |
| | Equity securities | Others | Total |
| Total amount of available-for-sale securities sold | ¥ 1,531 | ¥ — | ¥ 1,531 |
| Gains on sales of available-for-sale securities | 779 | — | 779 |
| Losses on sales of available-for-sale securities | 20 | — | 20 |

| Type | Millions of Yen | | |
|--|-------------------|--------|-------|
| | 2019 | | |
| | Equity securities | Others | Total |
| Total amount of available-for-sale securities sold | ¥ 472 | ¥ — | ¥ 472 |
| Gains on sales of available-for-sale securities | 153 | — | 153 |
| Losses on sales of available-for-sale securities | 31 | — | 31 |

| Type | Thousands of U.S. Dollars | | |
|--|---------------------------|--------|----------|
| | 2019 | | |
| | Equity securities | Others | Total |
| Total amount of available-for-sale securities sold | \$ 4,253 | \$ — | \$ 4,253 |
| Gains on sales of available-for-sale securities | 1,379 | — | 1,379 |
| Losses on sales of available-for-sale securities | 279 | — | 279 |

(3) Impairment losses on securities

The Group recognized impairment losses on the following securities for the years ended March 31, 2018 and 2019 were as follows:

| Type | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|------|---------------------------|
| | 2018 | 2019 | 2019 |
| | | | |
| Write-down of investment securities ... | ¥ 4 | ¥ 92 | \$ 829 |

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

6. Pledged Assets

(1) The following assets were pledged as liabilities as of March 31, 2018 and 2019:

Secured liabilities

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|------|---------------------------|
| | 2018 | 2019 | 2019 |
| Short-term non-recourse loans payable | ¥ 2,950 | ¥ — | \$ — |
| Short-term loans | 1,600 | — | — |
| Non-recourse bonds due within one year | 500 | — | — |
| Total | ¥ 5,050 | ¥ — | \$ — |

Pledged Assets

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|------|---------------------------|
| | 2018 | 2019 | 2019 |
| Land | ¥ 6,311 | ¥ — | \$ — |
| Buildings and structures net of accumulated depreciation | 1,182 | — | — |
| Machinery, vehicles and equipment net of accumulated depreciation | 11 | — | — |
| Total | ¥ 7,504 | ¥ — | \$ — |

(2) The following assets were pledged principally as collateral for loans of companies which were not consolidated as of March 31, 2018 and 2019:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|---------|---------------------------|
| | 2018 | 2019 | 2019 |
| Investment securities | ¥ 2,895 | ¥ 2,876 | \$ 25,912 |
| Other assets | 1,589 | 1,739 | 15,668 |
| Total | ¥ 4,484 | ¥ 4,615 | \$ 41,580 |

7. Amount of notes receivable and notes payable with maturity on the balance sheet date (the “Date”) and the day before the Date (the bank holidays)

Notes receivable and notes payable are processed on the clearing date or the settlement date. As the Date and the day before the Date were bank holidays, notes receivable and notes payable maturing on that days could not be settled and were included in the consolidated balance sheets, as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|--------|---------------------------|
| | 2018 | 2019 | 2019 |
| Notes receivable (Trade) | ¥ 593 | ¥ 315 | \$ 2,838 |
| Electronically recorded monetary claims | 1,066 | 164 | 1,478 |
| Notes receivable (Other) | 54 | 29 | 261 |
| Notes payable (Trade) | 6,606 | 5,606 | 50,509 |
| Electronically recorded obligations | 21,628 | 30,407 | 273,962 |
| Notes payable (Other) | 8 | 13 | 117 |
| Electronically recorded obligations (Other) | — | 1 | 9 |

8. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2018 and 2019 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term loans as of March 31, 2018 and 2019 were 0.5% and 0.4%, respectively.

The Group has had no difficulty in renewing such notes and overdraft facility agreements, when they considered such renewal advisable.

Long-term debt as of March 31, 2018 and 2019 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2018 | 2019 |
| Bonds and notes: | | |
| Issued by the Company: | | |
| 1.146% yen bonds due in 2018 (*1) | ¥ 500 | ¥ — |
| 0.66% yen bonds due in 2018 | 10,000 | — |
| 0.67% yen bonds due in 2020 | 10,000 | 10,000 |
| 0.14% yen bonds due in 2022 | 10,000 | 10,000 |
| 0.527% yen bonds due in 2022 | 10,000 | 10,000 |
| 0.38% yen bonds due in 2027 | 10,000 | 10,000 |
| Loans, principally from banks and insurance companies: | | |
| Secured loans (*1) | 2,950 | — |
| Unsecured loans | 124,625 | 117,499 |
| Capital lease | 695 | 695 |
| | 178,770 | 158,194 |
| Amount due within one year | (31,449) | (31,344) |
| Total long-term debt (due after one year) | ¥ 147,321 | ¥ 126,850 |

(*1) Note 1: These are non-recourse liabilities for the Group.

The annual interest rates applicable to long-term loans due within one year averaged 0.8% and 0.7% as of March 31, 2018 and 2019, respectively, and the annual interest rates applicable to long-term loans due after one year averaged 0.6% as of March 31, 2018 and 2019.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2019 were summarized as follows:

| Year ending March 31, | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------|-----------------|---------------------------|
| 2020 | ¥ 31,344 | \$ 282,404 |
| 2021 | 37,362 | 336,625 |
| 2022 | 19,652 | 177,061 |
| 2023 | 48,265 | 434,859 |
| 2024 | 10,479 | 94,414 |
| 2025 and thereafter | 11,092 | 99,937 |
| Total | ¥ 158,194 | \$ 1,425,300 |

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

9. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes.

The reconciliations for the year ended March 31, 2018 and 2019 are not presented because the difference between the statutory tax rate and the effective tax rate were less than or equal to 5% of the statutory tax rate.

Significant components of deferred income taxes at March 31, 2018 and 2019 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Deferred income tax assets: | | | |
| Disallowed portion of expenses and losses: | | | |
| Net defined benefit liability | ¥ 35,566 | ¥ 37,037 | \$ 333,697 |
| Inventories | 13,023 | 8,188 | 73,773 |
| Accrued bonuses | 7,107 | 7,148 | 64,402 |
| Fixed assets | 2,829 | 2,537 | 22,858 |
| Advances received | 1,173 | 2,180 | 19,641 |
| Others | 7,842 | 7,484 | 67,429 |
| Tax loss carryforward | 532 | 776 | 6,992 |
| Unrealized profits | 7,523 | 7,414 | 66,799 |
| Sub-total | 75,595 | 72,764 | 655,591 |
| Valuation allowance | (4,288) | (4,348) | (39,175) |
| Total | 71,307 | 68,416 | 616,416 |
| Deferred income tax liabilities: | | | |
| Unrealized holding gains on securities | (43,446) | (47,948) | (432,003) |
| Gains on securities contribution to employee retirement benefit trust ... | (17,711) | (17,711) | (159,573) |
| Net defined benefit asset | (3,830) | (3,920) | (35,318) |
| Others | (1,194) | (1,121) | (10,100) |
| Total | (66,181) | (70,700) | (636,994) |
| Net total | ¥ 5,126 | ¥ (2,284) | \$ (20,578) |

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥ 3,286 million (\$ 29,606 thousand) as of March 31, 2018 and 2019 were presented separately in the consolidated balance sheets.

10. Investment and Rental Property

- (1) The Company and certain consolidated subsidiaries hold some office buildings for rent in Tokyo and other areas. The rental income on office buildings for rent was ¥ 2,683 million and ¥ 4,040 million (\$ 36,400 thousand) at the year ended March 31, 2018 and 2019, respectively. Rental income is mainly booked in Net sales: Real estate development and other, and rental cost is mainly booked in Cost of sales.
- (2) The amounts of investment and rental property which booked in consolidated balance sheets, the amounts of increase or decrease, and fair value as of March 31, 2018 and 2019 were as follows:

| Millions of Yen | | | |
|-----------------|---------------------|----------------|----------------|
| 2018 | | | |
| Book value | | | Fair value |
| April 1, 2017 | Increase (decrease) | March 31, 2018 | March 31, 2018 |
| ¥ 56,693 | ¥ 25,754 | ¥ 82,447 | ¥ 100,065 |

| Millions of Yen | | | |
|-----------------|---------------------|----------------|----------------|
| 2019 | | | |
| Book value | | | Fair value |
| April 1, 2018 | Increase (decrease) | March 31, 2019 | March 31, 2019 |
| ¥ 82,447 | ¥ 27,271 | ¥ 109,718 | ¥ 138,796 |

| Thousands of U.S. Dollars | | | |
|---------------------------|---------------------|----------------|----------------|
| 2019 | | | |
| Book value | | | Fair value |
| April 1, 2018 | Increase (decrease) | March 31, 2019 | March 31, 2019 |
| \$ 742,833 | \$ 245,707 | \$ 988,540 | \$ 1,250,527 |

Note 1: The carrying amount is stated at cost of acquisition less accumulated depreciation and impairment losses.

Note 2: The main reasons of increase for the year ended March 31, 2018 was the reclassification from inventories (real estate) amounting to ¥ 26,032 million. The main reasons of increase and decrease for the year ended March 31, 2019 were acquisition of fixed assets ¥ 36,460 million (\$ 328,498 thousand) and sales of fixed assets ¥ 7,686 million (\$ 69,249 thousand), respectively.

Note 3: The book value as of March 31, 2018 and 2019 included asset retirement obligations of ¥ 206 million and ¥ 199 million (\$ 1,793 thousand), respectively.

Note 4: The fair value of investment and rental property as of March 31, 2018 and 2019 were mainly calculated by the Company according to the Japanese Real Estate Appraisal Standards (it may include adjustments using official indices).

11. Employees' Severance and Retirement Benefits

1. The Company and its main consolidated subsidiaries have adopted the defined-benefit pension plans and defined-contribution pension plans. The defined-benefit pension plans adopted consist of defined-benefit corporate pension plans and lump-sum payment plans.

Liabilities and expenses for severance and retirement benefits of the Company and its consolidated domestic subsidiaries are determined based on amounts obtained by actuarial calculations. The Company may also pay additional retirement benefits which are not subject to actuarial calculation.

The Company has established a retirement benefit trust.

2. Defined-benefit pension plans

(1) Movement in retirement benefit obligations

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Balance at beginning of the year | ¥ 145,642 | ¥ 143,380 | \$ 1,291,828 |
| Current service cost | 6,312 | 6,454 | 58,149 |
| Interest cost | 907 | 877 | 7,902 |
| Actuarial loss (gain) | 1,310 | 447 | 4,027 |
| Benefits paid | (10,502) | (10,741) | (96,774) |
| Past service costs | (450) | (808) | (7,280) |
| Other | 161 | 239 | 2,153 |
| Balance at end of the year | ¥ 143,380 | ¥ 139,848 | \$ 1,260,005 |

Some of the consolidated subsidiaries use simplified method for the calculation of retirement benefit obligations.

Retirement benefit expenses in the consolidated subsidiaries applying simplified method are recorded in current service cost.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

(2) Movements in plan assets

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Balance at beginning of the year | ¥ 115,157 | ¥ 117,153 | \$ 1,055,527 |
| Expected return on plan assets | 1,938 | 2,457 | 22,137 |
| Actuarial loss (gain) | 6,246 | (4,582) | (41,283) |
| Contributions paid by the employer | 1,056 | 1,060 | 9,550 |
| Benefits paid | (6,360) | (5,811) | (52,356) |
| Other | (883) | (1,064) | (9,586) |
| Balance at end of the year | ¥ 117,154 | ¥ 109,213 | \$ 983,989 |

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Funded retirement benefit obligations | ¥ 140,567 | ¥ 136,731 | \$ 1,231,922 |
| Plan assets | (117,154) | (109,213) | (983,990) |
| | 23,413 | 27,518 | 247,932 |
| Unfunded retirement benefit obligations | 2,813 | 3,117 | 28,084 |
| Net total at year-end | 26,226 | 30,635 | 276,016 |
| Net defined benefit liability | 35,787 | 42,022 | 378,611 |
| Net defined benefit asset | (9,561) | (11,387) | (102,595) |
| Net total at year-end | ¥ 26,226 | ¥ 30,635 | \$ 276,016 |

(4) Retirement benefit expenses

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|---------------------------|
| | 2018 | 2019 | 2019 |
| Current service cost | ¥ 6,312 | ¥ 6,454 | \$ 58,149 |
| Interest cost | 907 | 877 | 7,902 |
| Expected return on plan assets | (1,938) | (2,457) | (22,137) |
| Net actuarial loss amortization | 4,238 | 721 | 6,496 |
| Past service costs amortization | (1,288) | (1,334) | (12,019) |
| Other | 1 | 6 | 54 |
| Total retirement benefit expenses for the year | ¥ 8,232 | ¥ 4,267 | \$ 38,445 |

(5) Remeasurements of defined benefit plans

Items recorded in remeasurements of defined benefit plans (before considering tax effect) were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Past service costs | ¥ (838) | ¥ (525) | \$ (4,730) |
| Actuarial loss (gain) | 9,174 | (4,309) | (38,823) |
| Total balance as of March 31, 2018 and 2019 | ¥ 8,336 | ¥ (4,834) | \$ (43,553) |

(6) Accumulated remeasurements of defined benefit plans

Items recorded in accumulated remeasurements of defined benefit plans (before considering tax effect) were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Unrecognized past service costs | ¥ (6,368) | ¥ (5,842) | \$ (52,635) |
| Unrecognized actuarial loss (gain) | (6,760) | (2,451) | (22,083) |
| Total balance as of March 31, 2018 and 2019 | ¥ (13,128) | ¥ (8,293) | \$ (74,718) |

(7) Plan assets

| | 2018 | 2019 |
|-------------------------|------|------|
| ① Plan assets comprise: | | |
| Equity securities | 48% | 46% |
| Bonds | 20 | 21 |
| General accounts | 18 | 18 |
| Special accounts | 3 | 3 |
| Short-term assets | 1 | 1 |
| Other | 10 | 11 |
| Total | 100% | 100% |

The retirement benefit trust established for corporate pension plans accounted for 41% and 40% of total plan assets, for the fiscal year ended March 31, 2018 and 2019, respectively.

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2018 and 2019 were as follows:

| | 2018 | 2019 |
|--|---------|---------|
| Discount rate | | |
| The Company and its consolidated domestic subsidiaries | 0.4~1.5 | 0.4~1.5 |
| Consolidated overseas subsidiaries | 6.3 | 7.5~8.0 |
| Long-term expected rate of return | 1.0~3.0 | 1.0~3.0 |

3. Defined-contribution pension plans

Amount payable for defined-contribution pension plans of the Company and its consolidated subsidiaries were ¥ 2,490 million and ¥ 2,550 million (\$ 22,975 thousand), for the fiscal year ended March 31, 2018 and 2019, respectively.

12. Net assets

Net assets comprise three subsections; which are shareholders' equity, accumulated other comprehensive income and non-controlling interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), when a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, appropriations of legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Total annual dividends per share as of March 31, 2019 is ¥ 130.00 (U.S. \$ 1.2), which is the sum of the interim dividend per share of ¥ 60.00 (U.S. \$ 0.6) and the year-end dividend per share of ¥ 70.00 (U.S. \$ 0.6).

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

13. Lease Transactions

Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2018 and 2019 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Due within one year | ¥ 4,584 | ¥ 4,972 | \$ 44,797 |
| Due after one year | 21,265 | 16,747 | 150,887 |
| Total | ¥ 25,849 | ¥ 21,719 | \$ 195,684 |

(b) Lesser

Future minimum lease receipts as of March 31, 2018 and 2019 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Due within one year | ¥ 3,793 | ¥ 3,549 | \$ 31,976 |
| Due after one year | 20,168 | 16,708 | 150,536 |
| Total | ¥ 23,961 | ¥ 20,257 | \$ 182,512 |

14. Derivative Transactions

(1) Derivative transactions of the Company and its consolidated subsidiaries as of March 31, 2018 and 2019 were as follows:

① Derivative transactions which were not accounted for by the hedge accounting

Corresponding derivative transactions for the year ended March 31, 2018 and 2019 were not applicable.

② Derivative transactions which were accounted for by the hedge accounting as of March 31, 2018 and 2019 were as follows:

· Currency related transactions

Main items hedged by forward foreign exchange contracts are accounts payable for construction contracts.

| | Millions of Yen | | |
|--|-----------------|--------------------|------------|
| | 2018 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Forward foreign exchange contract (short commitment) | | | |
| to sell U.S. dollars | ¥ 395 | ¥ — | ¥ (10) |

| | Millions of Yen | | |
|--|-----------------|--------------------|------------|
| | 2019 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Forward foreign exchange contract (short commitment) | | | |
| to sell U.S. dollars | ¥ 60 | ¥ — | ¥ 1 |

| | Thousands of U.S. Dollars | | |
|--|---------------------------|--------------------|------------|
| | 2019 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Forward foreign exchange contract (short commitment) | | | |
| to sell U.S. dollars | \$ 541 | \$ — | \$ 9 |

Note: Fair value was determined at the quoted price obtained from the counterparty financial institutions.

· Interest Rate-Related Derivatives:

Main items hedged by interest rate swap contracts are long-term loans.

The following interest rate swaps are used as hedges. The net amounts to be paid or received are added to or deducted from interests.

Special treatment of swap

| | Millions of Yen | | |
|---|-----------------|--------------------|------------|
| | 2018 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Interest rate swaps receive floating rate, pay fixed rate | ¥ 50,540 | ¥ 43,770 | ¥ — |

| | Millions of Yen | | |
|---|-----------------|--------------------|------------|
| | 2019 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Interest rate swaps receive floating rate, pay fixed rate | ¥ 43,110 | ¥ 27,890 | ¥ — |

| | Thousands of U.S. Dollars | | |
|---|---------------------------|--------------------|------------|
| | 2019 | | |
| | Contract amount | | |
| | Total | Due after one year | Fair value |
| Interest rate swaps receive floating rate, pay fixed rate | \$ 388,413 | \$ 251,284 | \$ — |

Note: Fair value of interest rate swaps was included in the corresponding hedged long-term loans (long-term loans due within one year was considered as short-term loans) as those interest rate swaps were recorded as an adjustment to the corresponding hedged long-term loans under the special treatment.

15. Related Party Transactions

The Company had no transaction with related individuals, including shareholders and directors, for the year ended March 31, 2018 and 2019.

The Company's consolidated subsidiaries had the following transaction with related individuals, including shareholders and directors, for the year ended March 31, 2019, but no transaction was made for the year ended March 31 2018.

| (a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company | Millions of yen | | | |
|--|--|--------|--------------------------------|--------|
| | 2019 | | | |
| | Transactions during the year ended March 31, 2019 | | Balance at the end of the year | |
| | Description of transaction | Amount | Account | Amount |
| (a) Takashi Yamauchi (b) The director of the Corporation (c) — (d) 0.03% | House renovation work by Taisei Housing Co., Ltd. | ¥ 18 | — | ¥ — |
| (a) Atsushi Yamamoto (b) The executive officer of the Corporation (c) — (d) 0.00% | Sale of condominium apartment by Taisei Yuraku Real Estate Co., Ltd. | ¥ 72 | — | ¥ — |

Notes 1. Consumption taxes were not included in the transaction amounts.

2. Transaction conditions and policies to decide transaction conditions

- (1) The transaction price of house renovation was determined properly on an arm's length basis as in the case of other general transactions. The amount of transaction above represents the contract price on the construction contract.
- (2) The transaction price of sale of condominium apartment was determined properly considering normal market prices as in the case of other general transactions. The amount of transaction above represents the contract price.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

16. Segment Information

(1) Segment Information

(a) General information on reportable segments

Each reportable segment of the Group is a business unit in the Group, whose discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors Meeting in order to determine distribution of management resources and evaluate business result of each reportable segment.

The headquarters in the head office are established by the products of construction and the services. Each headquarter proposes comprehensive domestic and overseas strategies with respect to products and services, and operates its business activities.

The Group consists of segments identified by products and services based on the headquarters, and identifies the three segments, "Civil engineering," "Construction contracts," and "Real estate development" as reportable segments: "Civil engineering" delivering construction of civil engineering, etc.; "Construction contracts" delivering construction of building and housing, etc.; "Real estate development" delivering purchase, sale and rental of land and buildings, etc.

(b) Basis of measurement of net sales, profit or loss and other material items on reportable segment

The accounting methods for each reportable segment are the same as that set forth in the "Summary of Significant Accounting Policies".

The profit (loss) of a reportable segment is based on the operating income (loss) before amortization of goodwill in Consolidated Statements of Income. In addition, conditions of intersegment transactions and transfers are determined by considering market prices as in the case of other general transactions.

Assets of the Group are not allocated to the segments. However, the corresponding depreciation expenses are allocated to the segments according to the rational bases such as the usage of assets.

(c) Information of net sales, profit or loss and other material items on reportable segment

Segment information as for the years ended March 31, 2018 and 2019 was as follows:

| Millions of Yen | | | | | | | |
|---|---------------------|------------------------|-------------------------|---------|-------------|-------------|--------------|
| 2018 | | | | | | | |
| | Reportable segments | | | Others | Total | Adjustments | Consolidated |
| | Civil engineering | Construction contracts | Real estate development | | | | |
| Net sales: | | | | | | | |
| Customers | ¥ 441,270 | ¥ 1,020,765 | ¥ 113,736 | ¥ 9,727 | ¥ 1,585,498 | ¥ — | ¥ 1,585,498 |
| Intersegment | 25,161 | 39,788 | 6,095 | 2,574 | 73,618 | (73,618) | — |
| Total | 466,431 | 1,060,553 | 119,831 | 12,301 | 1,659,116 | (73,618) | 1,585,498 |
| Operating income | ¥ 71,519 | ¥ 96,399 | ¥ 12,966 | ¥ 1,114 | ¥ 181,998 | ¥ (138) | ¥ 181,860 |
| Depreciation and amortization | ¥ 3,135 | ¥ 2,895 | ¥ 1,064 | ¥ 80 | ¥ 7,174 | ¥ (124) | ¥ 7,050 |
| Increase (decrease) in allowance for losses on construction contracts ... | ¥ (2,171) | ¥ (4,101) | ¥ — | ¥ — | ¥ (6,272) | ¥ — | ¥ (6,272) |

Notes 1. "Others" presented businesses such as incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

2. Adjustment amount of operating income was ¥ 138 million, which included intersegment elimination of dividend income.

3. Segment operating income was adjusted against operating income of Consolidated Statement of Income.

| Millions of Yen | | | | | | | |
|---|---------------------|------------------------|-------------------------|---------|-------------|-------------|--------------|
| 2019 | | | | | | | |
| | Reportable segments | | | Others | Total | Adjustments | Consolidated |
| | Civil engineering | Construction contracts | Real estate development | | | | |
| Net sales: | | | | | | | |
| Customers | ¥ 439,110 | ¥ 1,087,672 | ¥ 114,855 | ¥ 9,241 | ¥ 1,650,878 | ¥ — | ¥ 1,650,878 |
| Intersegment | 29,543 | 42,768 | 7,043 | 2,869 | 82,223 | (82,223) | — |
| Total | 468,653 | 1,130,440 | 121,898 | 12,110 | 1,733,101 | (82,223) | 1,650,878 |
| Operating income | ¥ 53,098 | ¥ 87,686 | ¥ 12,912 | ¥ 1,144 | ¥ 154,840 | ¥ (1,516) | ¥ 153,324 |
| Depreciation and amortization | ¥ 3,357 | ¥ 2,881 | ¥ 1,753 | ¥ 90 | ¥ 8,081 | ¥ (225) | ¥ 7,856 |
| Increase (decrease) in allowance for losses on construction contracts ... | ¥ (469) | ¥ (6,164) | ¥ — | ¥ — | ¥ (6,633) | ¥ — | ¥ (6,633) |

Thousands of U.S. Dollars

| 2019 | | | | | | | |
|---|-------------------|------------------------|-------------------------|-----------|---------------|-------------|---------------|
| Reportable segments | | | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Total | Adjustments | Consolidated |
| Net sales: | | | | | | | |
| Customers | \$ 3,956,302 | \$ 9,799,730 | \$ 1,034,823 | \$ 83,260 | \$ 14,874,115 | \$ — | \$ 14,874,115 |
| Intersegment | 266,177 | 385,332 | 63,456 | 25,849 | 740,814 | (740,814) | — |
| Total | 4,222,479 | 10,185,062 | 1,098,279 | 109,109 | 15,614,929 | (740,814) | 14,874,115 |
| Operating income | \$ 478,404 | \$ 790,035 | \$ 116,335 | \$ 10,307 | \$ 1,395,081 | \$ (13,659) | \$ 1,381,422 |
| Depreciation and amortization | \$ 30,246 | \$ 25,957 | \$ 15,794 | \$ 811 | \$ 72,808 | \$ (2,027) | \$ 70,781 |
| Increase (decrease) in allowance for losses on construction contracts ... | \$ (4,226) | \$ (55,536) | \$ — | \$ — | \$ (59,762) | \$ — | \$ (59,762) |

Notes 1. "Others" presented businesses such as incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

2. Adjustments of operating income of ¥ 1,516 million (\$ 13,659 thousand) included intersegment elimination of dividend income amounting to ¥ 1,433 million (\$ 12,911 thousand) and amortization of goodwill amounting to ¥ 83 million (\$ 748 thousand).

3. Segment operating income was adjusted against operating income of Consolidated Statement of Income.

(2) Related Information

(a) Information about products and services

The information about products and services is included in "(c) Information of net sales, profit or loss and other material items on reportable segment" of "(1) Segment Information" for the years ended March 31, 2018 and 2019.

(b) Information about geographic areas

· Net sales

The information about net sales was not presented for the years ended March 31, 2018 and 2019 since sales to unaffiliated customers in Japan accounted for more than 90% of sales of Consolidated Statement of Income.

· Tangible fixed assets

The information about tangible fixed assets was not presented for the years ended March 31, 2018 and 2019 since the amounts of tangible fixed assets that located in Japan accounted for more than 90% of the amounts of tangible fixed assets of Consolidated Balance Sheet.

(c) Information about major customers

The information about major customers was not presented for the years ended March 31, 2018 and 2019 since net sales to any customer were less than 10% of the amounts of sales of Consolidated Statement of Income.

(d) Information about impairment losses on fixed assets of reportable segment for the years ended March 31, 2018 and 2019 was as follows:

| Millions of Yen | | | | | | |
|---|-------------------|------------------------|-------------------------|--------|------------------------------|---------|
| 2018 | | | | | | |
| Reportable segments | | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Elimination and/or corporate | Total |
| Impairment losses on fixed assets | ¥ 183 | ¥ 219 | ¥ 3,284 | ¥ — | ¥ (55) | ¥ 3,631 |

| Millions of Yen | | | | | | |
|---|-------------------|------------------------|-------------------------|--------|------------------------------|-------|
| 2019 | | | | | | |
| Reportable segments | | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Elimination and/or corporate | Total |
| Impairment losses on fixed assets | ¥ 327 | ¥ 13 | ¥ — | ¥ — | ¥ — | ¥ 340 |

| Thousands of U.S. Dollars | | | | | | |
|---|-------------------|------------------------|-------------------------|--------|------------------------------|----------|
| 2019 | | | | | | |
| Reportable segments | | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Elimination and/or corporate | Total |
| Impairment losses on fixed assets | \$ 2,946 | \$ 117 | \$ — | \$ — | \$ — | \$ 3,063 |

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

(e) Information about amortization and unamortized balance of goodwill of reportable segment

There was no information about amortization and unamortized balance of goodwill of reportable segment for the year ended March 31, 2018. Information for the year ended March 31, 2019 was as below:

| Millions of Yen | | | | | | |
|---------------------------------------|-------------------|------------------------|-------------------------|--------|------------------------------|-------|
| 2019 | | | | | | |
| Reportable segments | | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Elimination and/or corporate | Total |
| Amortization of goodwill | ¥ — | ¥ 43 | ¥ 40 | ¥ — | ¥ — | ¥ 83 |
| Unamortized balance of goodwill | ¥ — | ¥ 172 | ¥ — | ¥ — | ¥ — | ¥ 172 |

| | Thousands of U.S. Dollars | | | | | |
|---------------------------------------|---------------------------|------------------------|-------------------------|--------|------------------------------|----------|
| | 2019 | | | | | |
| | Reportable segments | | | | | |
| | Civil engineering | Construction contracts | Real estate development | Others | Elimination and/or corporate | Total |
| Amortization of goodwill | \$ — | \$ 388 | \$ 360 | \$ — | \$ — | \$ 748 |
| Unamortized balance of goodwill | \$ — | \$ 1,550 | \$ — | \$ — | \$ — | \$ 1,550 |

(f) Information about gains on negative goodwill of reportable segment

Information about gains on negative goodwill for the years ended March 31, 2018 and 2019 was not applicable.

17. Contingent Liabilities

The Group was contingently liable to invest in the specific purpose company for their repayment and other obligations of borrowings with the amount of ¥ 15,680 million as of March 31, 2018. The amounts indicated their shares of the additional investment obligations. As the Group terminated the contract on March 29, 2019, it was no longer effective as of March 31, 2019.

18. Revaluation Reserve for Land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land for business in accordance with the Law Concerning Revaluation of Land (the "Law").

As a result of this revaluation, deferred income taxes concerning the differences between the amounts after revaluation and the book value before revaluation was stated in the assets and liabilities in the consolidated balance sheets. The differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in "Accumulated other comprehensive income".

The revaluation was executed in accordance with the method prescribed in the Article 2, Items 3, 4 and 5 of the Law on November 30, 2001 and March 31, 2002.

One of the consolidated subsidiaries, which was merged with another consolidated subsidiary on December 1, 2001, executed the revaluation on November 30, 2001.

Excess amount of the book value of the revaluated land over the fair value as of March 31, 2018 and 2019 was ¥ 2,374 million and ¥ 2,472 million (\$ 22,272 thousand), respectively (including the excess amount of ¥ 1,489 million and ¥ 1,285 million (\$ 11,578 thousand) related to investment and rental property as of March 31, 2018 and 2019, respectively).

19. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥ 11,608 million and ¥ 12,472 million (\$ 112,370 thousand) for the years ended March 31, 2018 and 2019, respectively.

20. Impairment Losses on Fixed Assets

Impairment losses on fixed assets for the years ended March 31, 2018 and 2019 consisted of the following:

| 2018 | | |
|--|---|-------------------------------|
| Use | Type of assets | Location |
| Assets reclassified from business purpose to trading purpose | Land and others | Tokyo and the other (2 lots) |
| Assets for business use | Land, Machinery and equipment, Building, and others | Kyoto and the others (4 lots) |
| Idle assets | Land | Miyagi (1 lot) |
| 2019 | | |
| Use | Type of assets | Location |
| Idle assets | Machinery and equipment | Tokyo (1 lot) |
| Rental property | Land | Kanagawa (1 lot) |
| Assets for business use | Machinery and equipment, Building and others | Osaka and the others (8 lots) |

The Company and its consolidated subsidiaries grouped their fixed assets based on units, for which decisions for investments were made. Book value of the fixed assets listed above was reduced to recoverable amounts and impairment losses were recognized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-------|---------------------------|
| | 2018 | 2019 | 2019 |
| Assets reclassified from business purpose to trading purpose | | | |
| Buildings and structures | ¥ 305 | ¥ — | \$ — |
| Land | 3,222 | — | — |
| Subtotal | 3,527 | — | — |
| Assets for business use | | | |
| Buildings and structures | 19 | 13 | 117 |
| Land | 66 | — | — |
| Machinery and equipment | 18 | 35 | 315 |
| Others | 0 | 3 | 27 |
| Subtotal | 103 | 51 | 459 |
| Rental property | | | |
| Land | — | 126 | 1,135 |
| Subtotal | — | 126 | 1,135 |
| Idle assets | | | |
| Land | 1 | — | — |
| Machinery and equipment | — | 163 | 1,469 |
| Subtotal | 1 | 163 | 1,469 |
| Total | ¥ 3,631 | ¥ 340 | \$ 3,063 |

The recoverable amount of the fixed assets for the year ended March 31, 2018 was their net realizable value mainly based on amounts determined by valuations made in accordance with real estate appraisal standards.

The recoverable amount of the fixed assets for the year ended March 31, 2019 was their net realizable value mainly based on amounts determined by the sales contract price.

21. Per Share Data

Net assets per share and net income per share as of and for the years ended March 31, 2018 and 2019 were as follows:

| | Yen | | U.S. Dollars |
|------------------------------------|------------|------------|--------------|
| | 2018 | 2019 | 2019 |
| Net assets per share | ¥ 2,975.02 | ¥ 3,302.86 | \$ 29.76 |
| Net income per share | 561.36 | 511.90 | 4.61 |
| Diluted net income per share | — | — | — |

Diluted net income per share for the years ended March 31, 2018 and 2019 were not presented because the Company had no shares with dilutive effects.

Calculation bases for basic net income per share for the years ended March 31, 2018 and 2019 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 2018 | 2019 | 2019 |
| Basic net income per share | | | |
| Net income attributable to owners of parent | ¥ 126,788 | ¥ 112,572 | \$ 1,014,254 |
| Net income not available to common stock holders | — | — | — |
| Net income attributable to owners of parent available to common stock ... | 126,788 | 112,572 | 1,014,254 |
| Average common stock outstanding (in thousands share) | 225,859 | 219,910 | |

The net assets per share and the net income per share are calculated assuming that the consolidation of shares took place at the beginning of the year ended March 31, 2018, because the consolidation of shares, at the ratio of 1 share for 5 shares, was implemented on October 1, 2017.

22. Comprehensive Income

Recycling adjustments and tax effects for each component of other comprehensive income were as follows:

| | Millions of Yen | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|-----------------|---------------------------|
| | 2018 | 2019 | 2019 |
| Unrealized holding gains on securities | | | |
| Amount incurred | ¥ 23,537 | ¥14,697 | \$ 132,417 |
| Recycling | (327) | 10 | 90 |
| Before Tax | 23,210 | 14,707 | 132,507 |
| Tax effect | (7,098) | (4,502) | (40,562) |
| Unrealized holding gains on securities, net of taxes | 16,112 | 10,205 | 91,945 |
| Deferred gains or losses on hedging derivatives | | | |
| Amount incurred | (10) | 23 | 207 |
| Recycling | 0 | (12) | (108) |
| Before Tax | (10) | 11 | 99 |
| Tax effect | 3 | (3) | (27) |
| Unrealized gains or losses on hedging derivatives, net of taxes | (7) | 8 | 72 |
| Foreign currency translation adjustments | | | |
| Amount incurred | (45) | (246) | (2,216) |
| Recycling | 15 | 7 | 63 |
| Foreign currency translation adjustments | (30) | (239) | (2,153) |
| Remeasurements of defined benefit plans | | | |
| Amount incurred | 5,386 | (4,222) | (38,040) |
| Recycling | 2,951 | (613) | (5,523) |
| Before Tax | 8,337 | (4,835) | (43,563) |
| Tax effect | (2,543) | 1,484 | 13,371 |
| Remeasurements of defined benefit plans, net of taxes | 5,794 | (3,351) | (30,192) |
| Share of other comprehensive income of associates accounted for by the equity method | | | |
| Amount incurred | (1) | (35) | (315) |
| Total other comprehensive income | ¥ 21,868 | ¥ 6,588 | \$ 59,357 |

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

23. Subsequent Event

(1) Acquisition of treasury stock

The Company resolved the item related to the acquisition of treasury stock at the board of directors held on May 10, 2019, in accordance with the article 156 of the Japanese Corporate Law (the "Law"), which is applicable as replacement of the article 165, paragraph 3 of the law, as detailed below.

① Reason of acquisition of treasury stock

The Company decided to acquire its treasury stock in order to enhance the shareholders' value per share and to improve the capital efficiency.

② Details

(a) Type of stock to be acquired: Common stock of the Company

(b) Number of stocks to be acquired: Up to 8,300,000 stocks (3.81% of the total outstanding stocks excluding treasury stock)

(c) Total cost of acquisition: Up to ¥ 28,000 million (\$ 252,275 thousand)

(d) Period of acquisition: From May 13, 2019 to September 30, 2019

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Taisei Corporation:

We have audited the accompanying consolidated financial statements of Taisei Corporation (a Japanese corporation) and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Taisei Corporation and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.


June 26, 2019
Tokyo, Japan

Data Section

ESG Data of the Taisei Group

KPIs (Key Performance Indicators) (FY)

| ESG | Materialities | Scope of report | Key Indicators | 2016 | 2017 | 2018 |
|-----|--|--------------------|---|--------------------------------------|--------------------------------------|--------------------------------------|
| E | Realization of a sustainable and environmentally friendly society | Taisei Group*1 | Total CO ₂ Emissions | 332 10 ³ -CO ₂ | 340 10 ³ -CO ₂ | 360 10 ³ -CO ₂ |
| | | Taisei Corporation | At construction stage: CO ₂ emissions per construction cost (intensity)*8 | 23.3 % | 28.4 % | 28.9 % |
| | | | At construction stage: Total CO ₂ emissions*8 | 51.9 % | 48.4 % | 44.7 % |
| | | | At building operation stage: Design-build estimated CO ₂ emissions*8+9 | 38.9 % | 48.1 % | 40.2 % |
| | | | Promotion of recycling construction waste: Final disposal rate | 3.5 % | 3.2 % | 3.4 % |
| | | | Implementation of proposals that consider biodiversity: Number of proposals | 42 cases | 52 cases | 35 cases |
| S | Ensuring quality and improving technology | Taisei Corporation | Zero environmental accidents (Implementation of management procedure based on "Operation Manual for Priority Environmental Issues") | 0 cases | 0 cases | 0 cases |
| | | | Customer satisfaction (Civil Engineering) | 80 % | 95 % | 96 % |
| | | | Customer satisfaction (Construction) | 90 % | 90 % | 92 % |
| | Technical development for realizing a sustainable society | Taisei Corporation | Productivity (Net sales/number of employees working at construction sites)*10 | 100 | 107 | 111 |
| | | | Number of patent applications filed | 311 cases | 253 cases | 226 cases |
| | | | Number of patent rights registered | 304 cases | 235 cases | 213 cases |
| | Promotion of supply chain management | Suppliers*3 | Implementation rate of companies where CSR activity survey was conducted*11 | 62.6 % | | 74.2 % |
| | | | Number of companies responding | 63.5 % | | 79.3 % |
| | | | Number of companies surveyed | 523 companies | | 1,060 companies |
| | Thorough management of labor safety and sanitary conditions | Taisei Corporation | Health exam participation rate | 100 % | 100 % | 100 % |
| | | Taisei Corporation | Labor union participation rate | 100 % | 100 % | 100 % |
| | | Taisei Group*2 | Frequency Rates*12 | 0.53 | 0.44 | 0.58 |
| | | Taisei Corporation | Frequency Rates*12 | 0.47 | 0.41 | 0.42 |
| | Cultivation of technical staff and securing human resources | Taisei Corporation | Number of fatal accidents*12 | 1 case | 2 cases | 2 cases |
| | | | Average overtime hours per month | 38.4 hours | 37.5 hours | 37.8 hours |
| | | | Construction career up system worksite registration rate*13 | | | |
| | Realization of an attractive working environment that is good to work in | Taisei Corporation | Number of female engineers | 584 persons | 621 persons | 663 persons |
| | | | Rate of attendance at human rights training | 93.8 % | 98.2 % | 96.8 % |
| | | | Rate of employment of handicapped persons | 2.05 % | 2.07 % | 2.33 % |
| | | | Number of re-employed | 663 persons | 663 persons | 739 persons |
| | | | Number of former employee's registered with the Job-Return system*14 | 15 persons | 1 persons | 2 persons |
| | | | Number of female managers | 62 persons | 83 persons | 167 persons |
| | | | Rate of taking childcare leave by males | 1.7 % | 93.8 % | 94.2 % |
| | | | Numbers taking leave for childcare (male) | 4 persons | 243 persons | 244 persons |
| | | | Rate of return to work after childcare leave | 100 % | 97.5 % | 100 % |
| | | | Numbers taking nursing care leave | 2 persons | 3 persons | 0 persons |
| | | | Rate of paid leave utilization | 37.3 % | 42.9 % | 47.5 % |
| | | | Rate of milestone leave utilization | 93.6 % | 97.8 % | 94.0 % |
| | | | Rate of refresh leave utilization | 89.1 % | 89.1 % | 92.2 % |
| | | | Employee satisfaction surveys for union members*15 | | 80.6 % | |
| | | | Turnover rate of employees within three years of hiring*16 | 5.0 % | 4.3 % | 5.4 % |
| | | | Training hours per person | 44.7 hours | 32.8 hours | 36.6 hours |
| | | | Training hours per person for new employees | | | 38.8 hours |
| | | | Number of employee's who participated in overseas training system | 10 persons | 14 persons | 22 persons |
| | | | Implementation rate of career development review | 73.1 % | 87.8 % | 87.7 % |
| G | Promotion of compliance | Taisei Group*4 | Non-regular employee promotion rate | 11.9 % | 11.7 % | 12.2 % |
| | | Taisei Corporation | Number of employees promoted from non-regular employees to regular employees | 251 persons | 42 persons | 45 persons |
| | | Taisei Group*4 | Rate of participation in the large-scale disaster drill | 100 % | 100 % | 100 % |
| | | Taisei Group*5 | "Corporate ethics helpline" and "Group helpline" response rate | | 100 % | 100 % |
| | | Taisei Corporation | Compliance training participation rate | 100 % | 100 % | 100 % |
| | | Suppliers*6 | Number of compliance training sessions conducted for new employee's of Soyukai member companies | 1 time | 2 times | 2 times |
| | | Taisei Corporation | Number of training regarding intellectual property rights | 22 times | 17 times | 19 times |
| | | Taisei Group*7 | Number of times education in information security implemented in all companies | 16 times | 15 times | 19 times |
| | | Taisei Group*7 | Number of major information security accidents*17 | 0 cases | 0 cases | 0 cases |

*1 Refers to Taisei Corporation and the seven major Group companies.

*2 Refers to Taisei Corporation and the six major Group companies.

*3 Refers to our primary suppliers centered on Soyukai (an association of our core subcontractors).

*4 Refers to Taisei Corporation and the 25 major Group companies.

*5 Refers to Taisei Corporation and the 21 major Group companies.

*6 Refers to our primary supplier, Soyukai (an association of our core subcontractors).

*7 Refers to Taisei Corporation and the eight major Group companies.

*8 Base years for CO₂ emissions targets: FY1990

*9 Including dissemination and promotion of ZEB

*10 The actual result for FY2016 is set at 100. 110 is the target for the end of FY2020.

*11 No questionnaire survey for subcontractors will be conducted in FY2019 (biennial implementation)

*12 Actual results from January to December in 2016, 2017, and 2018.

*13 The ratio of total net sales of registered worksites against the total net sales. The target set for September 2019 is 60% or more. The system went into full-scale operation from April 2019.

*14 A system to rehire retired employees at their own request.

*15 No surveys were conducted in FY2016 and FY2018 due to biennial implementation.

*16 Refers to new graduates in general and expert positions.

*17 Number of major security breaches of electronic information related to the Taisei Group.

Data Section

ESG Data of Major Group Companies

TAISEI ROTEC CORPORATION (Pavement and civil engineering)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|----------------------------------|--|--|-------|------|------|------|
| E | The Environment | Realization of a sustainable and environmentally friendly society | Number of times training for prevention of industrial waste accidents was implemented | Times | 9 | 9 | 30 |
| S | Consumer Issues | Ensuring quality and improving technology | Ratio of achievement of target score in construction evaluation (number achieved / total number) | % | 42.8 | 72.7 | 77.8 |
| | Human Rights/ Labor Practices | Realization of an attractive working environment that is good to work in | Rate of taking refreshment leave | % | 89.5 | 62.5 | 86.4 |
| | Labor Practices | Thorough management of labor safety and sanitary conditions | Frequency rates ^{*1} | — | 0.81 | 0.42 | 1.0 |
| G | Fair Operating Practices | Promotion of compliance | Compliance training participation rate ^{*2} | % | 100 | 100 | 100 |
| | | | Participation rate for e-learning on compliance | % | 100 | 100 | 100 |
| | | | CSR newsletters issuance rate | % | — | — | 100 |

Taisei-Yuraku Real Estate Co., Ltd. (Real estate development, facility management, etc.)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|----------------------------------|--|--|-------|------|------|------|
| E | The Environment | Realization of a sustainable and environmentally friendly society | Rate of reduction of electrical power usage (office) ^{*3} | % | 8.2 | 5.2 | 9.3 |
| | | | Number of projects proposing improvement in energy efficiency at customers' facilities | Cases | 81 | 190 | 158 |
| S | Human Rights/ Labor Practices | Realization of an attractive working environment that is good to work in | Participation rate of training ^{*4} | % | 99.8 | 100 | 100 |
| G | Organization Governance | Risk management | Rate of participation in the Large-Scale Disaster Drill | % | 100 | 100 | 100 |
| | Fair Operating Practices | Promotion of compliance | Participation rate for e-learning on compliance | % | 100 | 100 | 100 |
| | | | Rate of implementation of information security measures | % | 100 | 100 | 100 |

TAISEI U-LEC CO., LTD. (Planning, design, and construction of housing complexes)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|--------------------------|---|---|-------|------|------|------|
| E | The Environment | Realization of a sustainable and environmentally friendly society | Rate of recycling of construction waste | % | 95.9 | 97.1 | 97.9 |
| | | | Rate of use of Electronic Manifest System | % | 99.6 | 100 | 99.8 |
| S | Labor Practices | Thorough management of labor safety and sanitary conditions | Number of fatal accidents | Cases | 0 | 1 | 0 |
| | | | Frequency rates ^{*1} | — | 0.6 | 0.59 | 0.28 |
| | Consumer Issues | Ensuring quality and improving technology | Rate of return of customer questionnaires | % | 72 | 88 | 65 |
| G | Fair Operating Practices | Promotion of compliance | Compliance training participation rate | % | 100 | 100 | 100 |

TAISEI SETSUBI CO., LTD. (Air conditioning, sanitation, electrical equipment, and interior finishing)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|----------------------------------|--|--|-------|------|------|------|
| E | The Environment | Realization of a sustainable and environmentally friendly society | Percentage of energy efficiency proposals to customers | % | 56.2 | 100 | 100 |
| | | | Attendance rate of environmental education | % | 82.4 | 92.5 | 90.1 |
| S | Human Rights/ Labor Practices | Realization of an attractive working environment that is good to work in | Number of productivity improvement activities | Cases | — | 12 | 12 |
| | Labor Practices | Thorough management of labor safety and sanitary conditions | Frequency rates ^{*1} | — | 0.56 | 0 | 0.75 |
| G | Fair Operating Practices | Promotion of compliance | Compliance training participation rate | % | 100 | 100 | 100 |
| | | | Number of major information security accidents | Cases | 0 | 0 | 0 |

TAISEI HOUSING CORPORATION (Design, construction, and sales of order-made individual housing)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|--------------------------|---|--|---------|------|------|------|
| E | The Environment | Realization of a sustainable and environmentally friendly society | Number participation in social responsibility activities | Persons | 20 | 17 | 15 |
| | | | Rate of use of Electronic Manifest System | % | 99.4 | 99.7 | 99.9 |
| | | | Rate of mixed waste in construction waste | % | 11.5 | 12 | 12.7 |
| S | Consumer Issues | Ensuring quality and improving technology | Customer satisfaction surveys (promoter survey) | % | 97 | 94 | 93 |
| G | Organization Governance | Risk management | Rate of participation in the Large-Scale Disaster Drill | % | 100 | 100 | 100 |
| | Fair Operating Practices | Promotion of compliance | Compliance training participation rate | % | 100 | 100 | 100 |

SEIWA RENEWAL WORKS CO., LTD. (Civil engineering, renewal work, production and sales of construction machinery, etc.)

(FY)

| ESG | ISO26000 | CSR Issues | Key Indicators | Unit | 2016 | 2017 | 2018 |
|----------|----------------------------------|--|--|---------|------|------|------|
| E | The Environment | Development and providing technologies to solve social issues | Number of technical proposals submitted | Cases | 10 | 6 | 12 |
| S | Human Rights/ Labor Practices | Realization of an attractive working environment that is good to work in | Number of taking nursing leave and caregiving leave | Persons | 4 | 4 | 6 |
| | Labor Practices | Thorough management of labor safety and sanitary conditions | Number of labor accidents (four or more days off work) ^{*2} | Cases | 2 | 1 | 2 |
| G | Organization Governance | Risk management | Rate of participation in the Large-Scale Disaster Drill | % | 100 | 100 | 100 |
| | Fair Operating Practices | Promotion of compliance | Compliance training participation rate | % | 100 | 100 | 100 |

*1 Actual results from January to December in 2016, 2017, and 2018.

*2 Group compliance training sessions include those related to the Anti-Monopoly Act.

*3 FY2013 is used as the base year until FY2016, and FY2015 is used as the base year from FY2017 onward.

*4 In-house training sessions include those on human rights and diversity.

Third-Party Opinion

Introduction

This report is the second issue in a new “integrated report” format that the Taisei Group introduced in the last year for its annual CSR reporting. Compared to last year’s, this year’s report provides information more simply and clearly, such as the part “Toward Sustainable Growth.” But I also notice some parts could be further improved, and they are pointed out below.

Issues

It is vital that the integrated report presents (or describes) how the Group, considering material challenges/issues posed in CSR or ESG activities, achieves financial targets specified in the Medium-term Business Plan and connects its diverse business lines to the value creation process. It is important to show a story of the Group’s corporate value enhancement through its social contribution businesses to relevant stakeholders including investors, in an easy-to-understand manner.

In my previous year’s third-party opinion, I suggested a few more pages be devoted to a discussion of the outcomes of specific initiatives implemented during the year and plans of further efforts for the future. This year’s report explains key management issues in the Medium-term Business Plan by illustrating specific actions taken and related ongoing business activities. A list of key KPIs (including Group companies’ ones) covering financial data as well as ESG data is added in the Data Section, which also helps readers understand matters more easily. In the Talk and Dialogue features, the investors’ take on and expectations for Taisei Corporation and the mindset and activities of the work sites are focused on, and they hopefully will be regarded not merely as a stand-alone topic but as part of the whole context of the report.

The suspicion of bid-rigging in connection with the Linear Chuo Shinkansen Project, which transpired in the previous fiscal year, is mentioned again this year in the President’s Message as well as in the compliance section, where how it was handled in the previous year is outlined. After an in-depth discussion of this issue by its Compliance Committee and Board in the previous year, the Company has already enforced the revised and tightened versions of the “Code of Conduct for Compliance with the Anti-Monopoly Act” and the “Detailed Rules for the Process of Ensuring Legitimacy of Bids.” It is best to disclose these arrangements as much as possible. The disclosure of these rules should help the Company define its own stance/principle.

In association with this issue, the “Fundamental Policies” on risk management, information disclosure, and human rights, for instance, are posted on the website, whereas the details of specific standards and rules are not clear due to the simplified description. Without (proper) disclosure, outside parties (including evaluation

Kanji Tanimoto

Professor,
Ph. D. in Business Administration
School of Commerce,
Faculty of Commerce,
Waseda University



institutions) cannot know how and how far the Company will be committed to the issue. (Note that the “Fundamental Corporate Governance Policy” is well articulated, and that the report also goes into the details of the “Fundamental Policy to Enhance Operational Compliance Systems” but the reason for its disclosure is left out.) The website outlines a variety of policies as the “corporate policies,” but they would be clearer for readers (more reader-friendly) if the policies, standards, and rules were disclosed appropriately by item, along with the current status of actions and challenges/issues (in conjunction with the website).

This year the report covers the summary of the CSR Procurement Guideline, while many manufacturers and other companies disclose the details of procurement standards. Having engaged in research and enlightenment activities targeted at the “Souyu-kai” members since 2013, Taisei Corporation increases the number of targets further to a total of more than 1,000 customers for in-depth research. As a third party, I check the results of the research in detail on a yearly basis; it is also vital that the Company publicly discloses the summary of these results, to the extent possible, to show its strengths and challenges/issues to be addressed in the future.

Going Forward

The overseas business is one of Taisei Corporation’s crucial management issues, and the development of human resources who drive its globalization is also a pressing matter to attend to. In an age of sustainability revolution, the development of talented sustainability people who are capable of making efforts with a triple bottom line (environmental, social, and financial) mindset is in urgent need. The Company must recruit/collect and cultivate young talent with a global mindset and a sustainability mindset all together—they will be tackling management issues in the future. One of the important themes to this end should be how to promote the creation of attractive workplaces and organizations that are open to a diverse range of people.

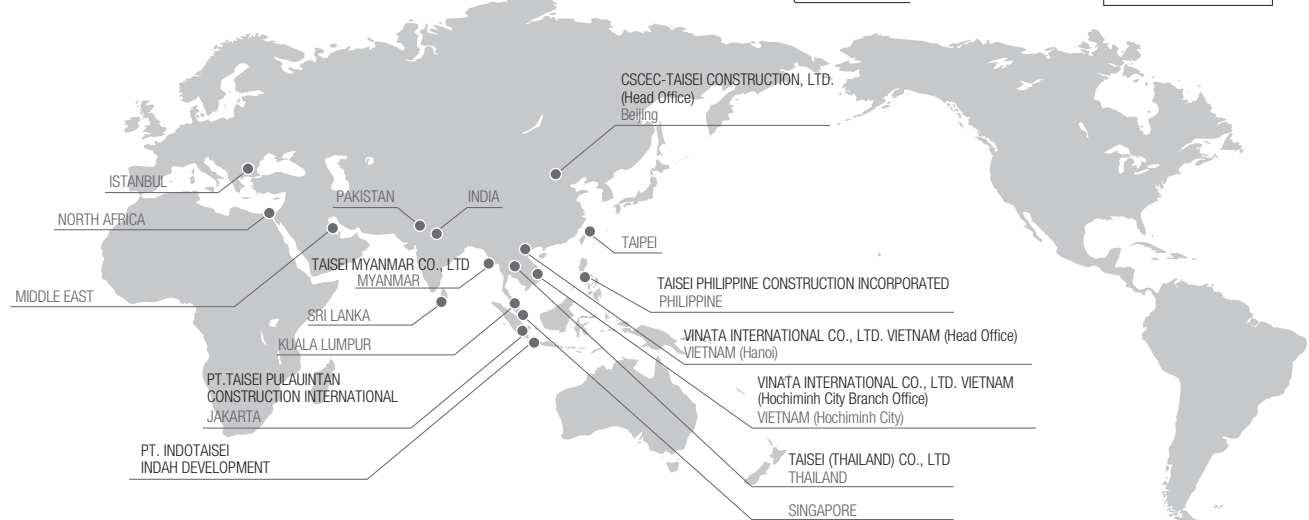
Outline of the Company

Corporate Data (As of March 31, 2019)

| | |
|---------------------|---|
| Name | TAISEI CORPORATION |
| Established | December 28, 1917 |
| Paid-in capital | ¥122.7 billion |
| Number of employees | 8,490 people (non-consolidated) |
| Representative | Yoshiyuki Murata, President and Chief Executive Officer |
| Head office | 25-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan TEL. 81-3-3348-1111 (main number) |
| Branches | Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Sendai, Hiroshima, Yokohama, Niigata, Takamatsu, Chiba, Saitama, Kobe, Kyoto |

Taisei Technology Center(Yokohama City)

Overseas Network (As of August 1, 2019)

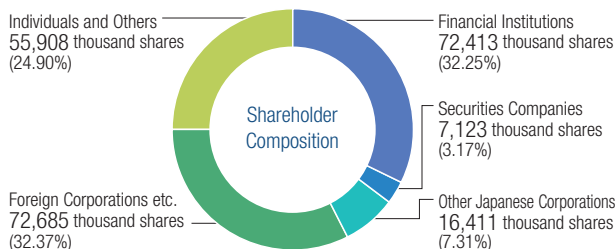


Share Information (As of March 31, 2019)

Status of Shares

| | |
|-----------------------------|-------------|
| Number of Shares Authorized | 440,000,000 |
| Number of Shares Issued | 224,541,172 |
| Number of Shareholders | 72,265 |

Number of Shareholders:



| | |
|----------------|---|
| Stock Listings | Tokyo, Nagoya |
| Code | 1801 |
| Transfer Agent | Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan |

Domestic Network

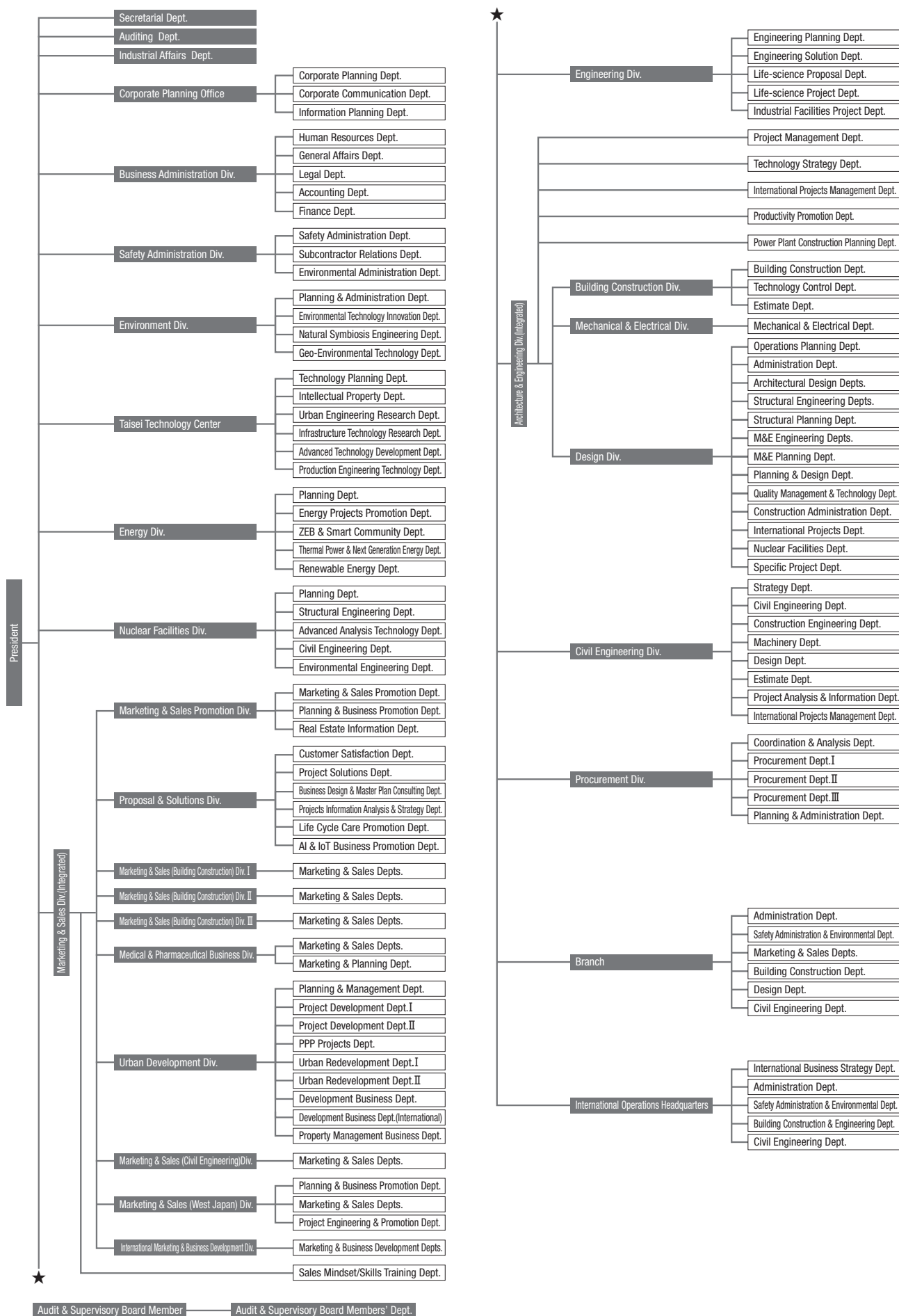


Major Shareholders (Top 10):

| Name of Shareholder | Number of Shares Held (Unit: Thousand Shares) | Ratio of Shares Held (%) |
|--|---|--------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 15,843 | 7.26 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 13,156 | 6.03 |
| Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account) | 7,857 | 3.60 |
| Taisei Associates' Shareholding Plan | 5,272 | 2.42 |
| Japan Trustee Services Bank, Ltd. (Trust Account No.7) | 4,549 | 2.09 |
| Japan Trustee Services Bank, Ltd. (Trust Account No.5) | 4,376 | 2.01 |
| Taisei Employees' Shareholding Plan | 3,578 | 1.64 |
| State Street Bank West Client-Treaty 505234 | 3,412 | 1.56 |
| JPMorgan Chase Bank, N.A., 385151 | 3,250 | 1.49 |
| Japan Trustee Services Bank, Ltd. (Trust Account No.9) | 3,022 | 1.39 |

Note: The Company's own shares (6,419,832) are excluded in calculating the Ratio of Shares Held.

TAISEI CORPORATION Organization Chart (As of July 1, 2019)



Overseas Business Offices

TAIPEI OFFICE Zone B, 6F, No. 16, Sec. 4, Nan-Jing E. Road,
Taipei, Taiwan R. O. C.
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United Bank Bldg. 4th Floor, Facing QNB Bldg, Doha - Qatar, PO
BOX 47366
TEL. 974-4443-4174 FAX. 974-4443-7176

SINGAPORE OFFICE 16 Collyer Quay, Level 21, Singapore,
049318
TEL. 65-6818-9779

KUALA LUMPUR OFFICE 9-3, 9th Floor, Faber Imperial Court,
Jalan Sultan Ismail, 50250 Kuala Lumpur, MALAYSIA
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PAKISTAN OFFICE Office-A, 5th Floor, Block-A, Saudi Pak
Tower, 61-A, Jinnah Ave., Islamabad, Pakistan
TEL. 92-51-8316620 FAX. 92-51-8316629

VIETNAM OFFICE (Hanoi) 2nd Floor,Block A,Song Da Building
Pham Hung Road,My Dinh1,Nam Tu Liem District Hanoi,
S.R.VIETNAM
TEL. 84-24-3553-5033 FAX. 84-24-3553-5002

VIETNAM OFFICE (Hochiminh City) VIETNAM CHAMBER OF
COMMERCE AND INDUSTRY, Hochiminh City Branch Building
7th FL, 171 Vo Thi Sau St., Ward7, District-3, Hochiminh City,
S.R.VIETNAM
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Petchburi Road, Kwaeng Makkasan, Khet Rachtavee, Bangkok
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SRI LANKA OFFICE No.177, 3rd Floor, Galle Road, Colombo
03, Sri Lanka
TEL. 94-11-2446194 FAX. 94-11-2446198

NORTH AFRICA OFFICE 25th, Rd. No.10, Station Sqr, Maadi,
Cairo, ARAB REPUBLIC OF EGYPT
TEL. 20-2-2378-3609 FAX. 20-2-2380-1362

ISTANBUL OFFICE Barbaros Mah. Seyit Ahmet Deresi Sok.
Bahar Sitesi Yani, 34662 Altunizade - Uskudar Istanbul, TURKEY
TEL. 90-216-651-8160 FAX. 90-216-651-8180

Overseas Subsidiaries / Affiliated Companies

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PLAZA OLEOS 18th Floor Jl. TB Simatupang No.53, Pasar
Minggu Jakarta Selatan, 12520, Indonesia
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TAISEI (THAILAND) CO., LTD. 9th Floor, Thanapoom Tower,
1550 New Petchburi Road, Kwaeng Makkasan, Khet Rachtavee,
Bangkok 10400, THAILAND
TEL. 66-2-207-0330 FAX. 66-2-207-0332

VINATA INTERNATIONAL CO., LTD. (Head Office)
3rd Floor,Block C,Song Da Building Pham Hung Road,My
Dinh1,Nam Tu Liem District Hanoi, S.R. VIETNAM
TEL. 84-24-3553-3839, -3840 FAX. 84-24-3553-3788

(Hochiminh City Branch Office) 7th FL, VIETNAM CHAMBER
OF COMMERCE AND INDUSTRY TOWER,171 Vo Thi Sau St.,
District3, Hochiminh City, S.R.VIETNAM
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CSCEC-TAISEI CONSTRUCTION, LTD. (Head Office)
4th Floor, Building No. 8, Foreign Culture Creativity Park, 19
Chegongzhuang Xi Road, Haidian District, BEIJING, P.R.C.
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Floor, BDO Equitable Bank Tower, Paseo de Roxas, Salcedo
Village, Makati City, PHILIPPINES
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PT. INDOTAISEI INDAH DEVELOPMENT
Kawasan Industri Indotaisei, Kota Bukit Indah Sector IA, Block B
Karihurip, Cikampek, Karawan, Jawa Barat, INDONESIA
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TAISEI MYANMAR CO., LTD. 2nd Floor Tokyo Enterprise
Building, No.32, Pyay Road, 61/2 miles, Hlaing Township, Yangon,
Myanmar
TEL. 95-1-654-838 FAX. 95-1-654-838



[On the Cover]

The geometric pattern represents the increasingly complex and diverse roles we will play in the years ahead. In addition, the area of water where light shines represents the moment when innovation takes place.



[Inquiries]

TAISEI CORPORATION

CSR Promotion Section,
Corporate Communication Department,
Corporate Planning Office

URL: <https://www.aisei.co.jp/english/>

