



[On the Cover]

The geometric pattern represents
the increasingly complex and diverse roles
we will play in the years ahead.
The shining new growth represents
inheritance and development.

[Inquiries]

TAISEI CORPORATION
CSR Promotion Section,
Corporate Communication Department,
Corporate Planning Office

URL: <https://www.aisei.co.jp/english/>

TAISEI ANNUAL REPORT 2020

PHILOSOPHY

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.

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

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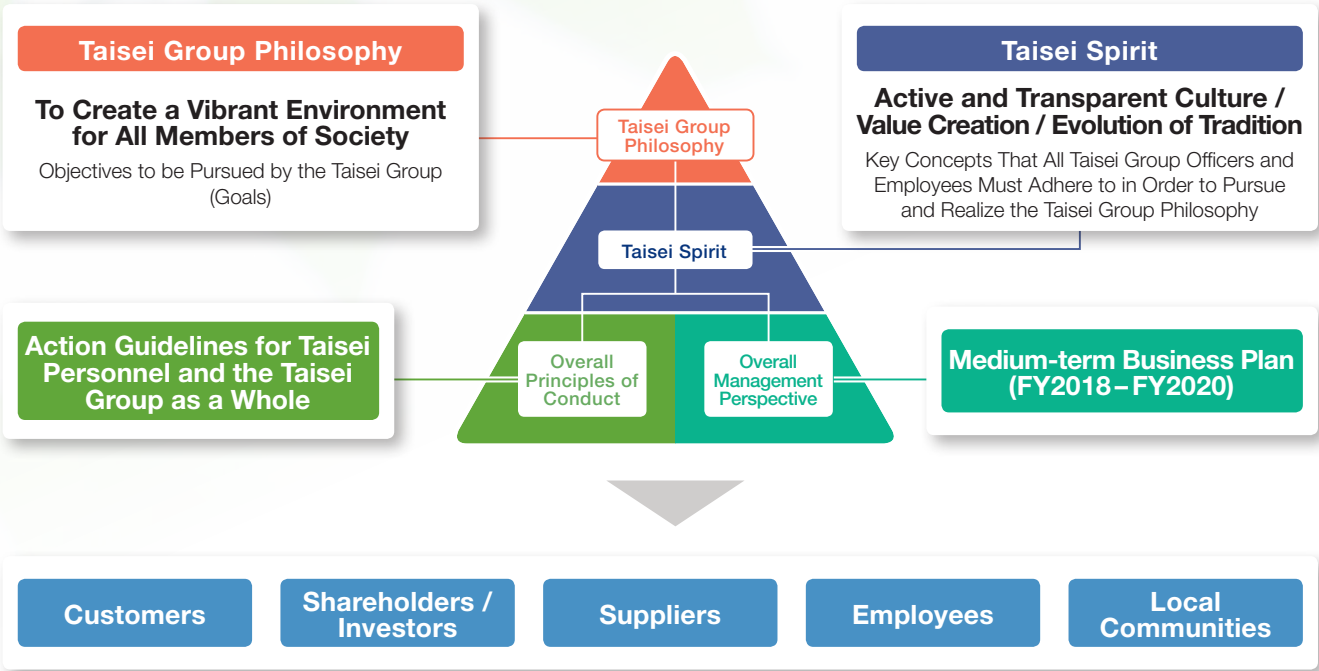
Appropriate disclosure of information

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Fulfilling social responsibilities

The Taisei Group engages in corporate activities as a group of professionals who are cheerful, enthusiastic, sincere, and disciplined as corporate citizens.

Our Structure of Values and Policies



Our Structure of Values and Policies
<https://www.taisei.co.jp/english/profile/philosophy>

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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 Discussion between the President and an Expert, External Board Members' Message, 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 ①

Scope of Coverage
In principle this report covers the activities of Taisei Corporation and the Taisei Group companies (consolidated subsidiaries) as of March 31, 2020, unless otherwise noted.
Period of Coverage
The main subject of this report is the actual results for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020). Some contents concern the data for the previous fiscal year or the most recent activities.
Guidelines on Non-Financial Information Disclosure
• GRI Sustainability Reporting Standards ②
• 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
• November 2020
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.

ESG Evaluation (As of July 1, 2020)

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

FTSE4Good

FTSE Blossom Japan

CDP DISCLOSURE INSIGHT ACTION Leadership Score of A- [2019]

*INCLUSION OF TAISEI CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TAISEI CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

① GRI
<https://www.taisei.co.jp/english/csr/performance/iso26000/gri/pdf/gri.pdf>

② CSR
<https://www.taisei.co.jp/english/csr/>

Message from the President

Towards the Sustainable Development of the Society and the Company



President and Chief Executive Officer,
Representative Director

Yoshiro Aikawa

I, Yoshiro Aikawa, was inaugurated as President and Chief Executive Officer of Taisei Corporation in June 2020. Since assuming office as President, I have been feeling the great expectations towards our Group from our stakeholders. I am willing to fulfill my responsibilities by exercising leadership so that our Group can provide our stakeholders with the value, satisfaction, and excitement that exceeds their expectations and contribute to the development of the society.

Current Business Environment and Medium-term Business Plan (FY2018–FY2020)

In recent years, the business environment surrounding our Group has been steady on the background of the followings: the demand for infrastructure development such as the recovery and reconstruction from the Great East Japan Earthquake for building national resilience of Japan; the increase in inbound demand; the projects related to the Tokyo 2020 Olympics and Paralympics Games; and the redevelopment projects in the Tokyo metropolitan area.

Taisei Group's FY2019 operating results achieved an increase in revenues from the steady progress of our present construction works, and maintained a high-level operating income in terms of profit.

However, to our regret, FY2020 operating results are forecasted to be lower than the Management Numerical Targets for the final fiscal year of the current Medium-term Business Plan due to significant decreases in revenues and profits under the estimated impact by the spread of novel coronavirus (COVID-19) infection.

The issue of COVID-19 completely overturns the fundamental nature of corporate activities and social values, and forces to change the conventional business models. From now and on, I assume that companies in this world will be sorted into two groups: Those can adapt to such changes and revolutions in the market environment and take it as a chance for further growth; and those cannot.

To be a selected and sustainable company over the future, we would like to overcome this difficult situation with a flexible way of thinking unbounded to conventional customs, and with the ability to take action without hesitating changes.

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

(Billions of Yen) (Consolidated)	Numerical management targets in the last fiscal year of the Medium-term Business Plan (FY2020)	Business Outlook (FY2020)	Difference
Net sales	¥1,870.0	¥1,450.0	-420.0
Operating income	187.0	81.0	-106.0
Net income attributable to owners of parent	130.0	56.0	-74.0
ROE	12% or higher	About 7%	—
Dividend payout ratio	About 25%	48.5%	—
Interest-bearing debt	Less than ¥300 billion	Less than ¥230 billion	—
Net interest-bearing debt*	(Maintaining permanent state of substantive debt-free management)	—	—
Capital-to-asset ratio	40% or higher	—	—

*Net interest-bearing debt = (Interest-bearing debt) – (Cash and deposit)

Towards the Next Medium-term Business Plan

With the present Medium-term Business Plan launched in FY2018, we have been aiming to expand our business scale and improve profit levels under the Basic Policy of “Establishing a foundation for growth with the construction business at the core.” We would like to continue this Basic Policy, and develop and expand furthermore.

In the civil engineering and the building construction businesses, we will continue to provide reputable buildings and structures fully utilizing our technological capabilities. We will also concentrate on the engineering businesses, the building renovation businesses, and the real estate development businesses that allow us to take advantage of the Company's strengths.

Particularly, we are focusing on the engineering businesses, which can utilize our Group's advanced technological capabilities and develop in the medium to long term in synergy with the building construction businesses.

To expand these businesses, we will also promote technology development, innovation, human resource development and the acquisition of highly specialized technical personnel.

Continuing to be a Sustainable Company

In the short term, the impact of COVID-19 will be significant. However, putting our eyes on the world, we see a great number of issues and risks which need to be solved from a long-term perspective through cooperation among national government, local municipality, and private companies. These challenges include environmental issues such as climate change, expansion of energy demand, widening of disparity such as hunger and poverty. On the other hand, inside Japan, there are the progress of falling birthrate and aging population, shortage of workers, aging infrastructure and intensified natural disasters.

For our Group to keep achieving sustainable growth in this external environment, we will further incorporate Environment,

Society, and Governance (ESG) viewpoints into our management. As for the Sustainable Development Goals (SDGs) adopted by the United Nations, the timeline of the goal set for 2030 is now less than 10 years and we need to keep the engagement in SDGs activity with an eye on the upcoming future world.

To reflect sustainability viewpoints such as ESG and SDGs to our management, our Group identified eight ESG issues (Materiality) in 2018. Since then, we have been monitoring the progress of each of the Key Performance Indicator (KPI). We will review these ESG issues in response to society's changes and respond appropriately and proactively to build a strong business foundation unaffected by the changes in the external environment.

Message to Our Stakeholders

I consider that “the purpose of the Company” is to acquire the trust of our customers by continuously providing many values, satisfactions and excitement, and to contribute to the society by enhancing the happiness of our stakeholders.

In 2023, our Group will celebrate its 150th anniversary. During our long history, we overcame numerous difficulties associated with social changes, and contributed to the resolutions of various social challenges together with plenty of our stakeholders. In this era of increasing uncertainty, what is required to our Group is “sustainability,” which lies ahead of day-to-day efforts for continuing to change for the future.

It is important for all of our Group officers and employees to think about what we can do to achieve the Taisei Group Philosophy of “To Create a Vibrant Environment for All Members of Society,” to respect the Taisei Spirit of “Active and Transparent Culture,” “Value Creation” and “Evolution of Tradition,” and to take into the actions the Philosophy and the Spirit. By unifying the directions of all officers and employees, I would like to build more vibrant Group.

I sincerely appreciate your high expectations to our Group's further growth as well as your continuous and invaluable support.

Our History

Foundation – 1960

Foundations of the Business and Origin of the Corporate Name

The history of Taisei Corporation began when Kihachiro Okura ❶ 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) ❷.

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.

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.

1961 – 2010

Technological Capabilities That Support and Help to Develop Society

Many infrastructure projects began for completion to coincide with the 1964 Tokyo Olympics, such as the National Stadium Japan and the Metropolitan Expressway, adding color to this period.

This period also saw the completion of Hotel New Otani ❸, an international hotel with more than 1,000 guestrooms, as well as The Hotel Okura Tokyo, 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, Seikan Tunnel, Cirata Hydroelectric Power Station in Indonesia and Djibouti Palace Kempinski Hotel.

2011 – Present

Contributing to the Realization of a Sustainable Future at All Stages

In 2013, Taisei Corporation completed constructing the Bosphorus Strait Crossing Railway Tunnel in Istanbul, which connects European and Asia via railroad tunnels ❹.

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 Hamad International Airport Terminal Building in Qatar ❺ and No. 2 Terminal Building Hanoi (Noi Bai) International Airport, a construction of the largest scale in North Vietnam. As such, we are accelerating our efforts in overseas infrastructure projects.

In 2014, aiming for an urban office ZEB (an acronym for Net Zero Energy Building), we renovated the ZEB Demonstration Building on the premises of the Taisei Advanced Center of Technology (see p.21). In 2019, we completed Japan National Stadium ❻, a stadium blending in with the surrounding nature. In addition, we acquired three international certifications: the world’s first WELL Certified Platinum in addition to ZEB certification and LEED (an acronym for Leadership in Energy and Environmental Design) certification, and is contributing to the realization of a sustainable future at all stages by creating office spaces that are friendly to people and the environment.



❶ Founder Kihachiro Okura



❷ Tokyo Underground Railroad (Ueno–Asakusa)



❸ Hotel New Otani Main Building



❹ Bosphorus Strait Crossing Railway Tunnel, Turkey



❺ Hamad International Airport, Qatar



❻ Japan National Stadium



Chronological Table
<https://www.taisei.co.jp/english/profile/history/>

11-Year Financial and Non-Financial Summary

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010 through 2020

Financial Highlights (Consolidated)

	Millions of Yen (except for per share figures)					Millions of Yen (except for per share figures)					Thousands of U.S. Dollars* ¹ (except for per share figures)	
	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2020
Revenue:												
Net sales:												
Construction contracts	¥ 1,289,809	¥ 1,079,139	¥ 1,171,927	¥ 1,254,291	¥ 1,321,289	¥ 1,404,530	¥ 1,394,677	¥ 1,342,455	¥ 1,445,277	¥ 1,511,724	¥ 1,612,498	\$ 1,4816,668
Real estate development and other	152,166	138,980	151,577	162,205	212,184	168,740	151,212	144,798	140,221	139,154	138,833	1,275,687
Total	1,441,975	1,218,119	1,323,504	1,416,496	1,533,473	1,573,270	1,545,889	1,487,253	1,585,498	1,650,878	1,751,331	16,092,355
% change from previous year	(12.1)%	(15.5)%	8.7%	7.0%	8.3%	2.6%	(1.7%)	(3.8%)	6.6%	4.1%	6.1%	
Costs and expenses:												
Cost of sales	1,318,593	1,100,022	1,206,014	1,304,677	1,402,446	1,425,295	1,348,302	1,260,968	1,318,880	1,409,418	1,492,654	13,715,464
Selling, general and administrative expenses	87,755	81,803	81,004	76,213	77,254	77,558	80,119	85,462	84,758	88,136	90,922	835,450
Total	1,406,348	1,181,825	1,287,018	1,380,890	1,479,700	1,502,853	1,428,421	1,346,430	1,403,638	1,497,554	1,583,576	14,550,914
Operating income	35,627	36,294	36,486	35,606	53,773	70,417	117,468	140,823	181,860	153,324	167,755	1,541,441
Income before income taxes	35,516	19,374	16,673	32,828	46,593	66,980	117,797	135,190	182,297	160,777	174,785	1,606,037
Income taxes	14,462	8,514	15,480	12,399	14,120	28,755	40,996	44,793	55,508	48,075	52,601	483,332
Net income attributable to owners of parent	¥ 21,222	¥ 10,883	¥ 1,181	¥ 20,051	¥ 32,089	¥ 38,177	¥ 77,045	¥ 90,566	¥ 126,788	¥ 112,572	¥ 122,088	\$ 1,121,823
Per share data of common stock (in yen and dollars):												
Net assets	¥ 262.15	¥ 253.94	¥ 255.60	¥ 299.84	¥ 335.42	¥ 418.61	¥ 442.67	¥ 2,483.01	¥ 2,975.02* ²	¥ 3,302.86	¥ 3,550.03	\$ 32.62
Net income attributable to owners of parent	19.74	9.58	1.04	17.60	28.17	33.52	65.85	392.87	561.36* ²	511.90	573.14	5.27
Cash dividends	5.00	5.00	5.00	5.00	6.00	8.00	16.00	20.00	85.00* ³	130.00	130.00	1.20
Financial ratios:												
Net income attributable to owners of parent as a percentage of total revenue	1.5%	0.9%	0.1%	1.4%	2.1%	2.4%	5.0%	6.1%	8.0%	6.8%	7.0%	
Total costs and expenses as a percentage of total revenue	97.5%	97.0%	97.2%	97.5%	96.5%	95.5%	92.4%	90.5%	88.5%	90.7%	90.4%	
Dividends paid as a percentage of net income	25.3%	52.2%	482.3%	28.4%	21.3%	23.9%	24.3%	25.5%	22.3%	25.4%	22.7%	
Financial position data:												
Current assets	¥ 912,895	¥ 847,467	¥ 982,931	¥ 1,012,639	¥ 1,076,213	¥ 1,136,497	¥ 1,112,305	¥ 1,223,572	¥ 1,327,487* ⁴	¥ 1,200,437	¥ 1,299,023	\$ 1,1936,258
Current liabilities	894,026	808,052	921,196	907,281	946,097	984,762	927,777	986,994	1,022,626	924,791	957,438	8,797,556
Tangible fixed assets	238,534	232,000	212,639	206,076	181,051	169,973	177,529	175,983	188,397	219,745	204,400	1,878,159
Long-term liabilities	250,083	235,607	219,101	292,514	268,802	258,373	211,767	202,271	218,952* ⁴	198,995	178,642	1,641,477
Shareholders' equity	274,779	290,282	284,714	299,336	327,067	370,140	437,533	485,396	563,913	610,565	673,730	6,190,664
Net assets	297,179	290,598	292,602	343,300	384,166	492,114	521,278	570,814	669,020	722,390	753,916	6,927,465
Other data:												
New orders received during the year	¥ 1,244,439	¥ 1,254,095	¥ 1,379,572	¥ 1,404,407	¥ 1,645,896	¥ 1,765,743	¥ 1,671,061	¥ 1,655,036	¥ 1,743,498	¥ 1,693,859	¥ 1,680,052	\$ 1,5437,398
Contract backlog at the end of year	1,571,414	1,607,390	1,663,459	1,651,370	1,763,793	1,956,266	2,081,438	2,249,221	2,407,221	2,450,202	2,378,923	21,859,074
Shares issued (thousands)	1,090,622	1,140,269	1,140,269	1,140,269	1,140,269	1,171,269	1,171,269	1,146,753	224,541	224,541	224,541	

*1 U.S. dollar amounts were translated from yen, for convenience only, at the rate of U.S. \$ 1 = ¥108.83

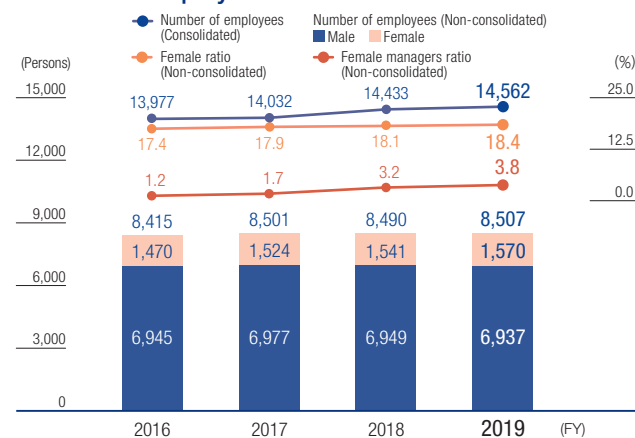
*2 The net assets per share and the net income per share are calculated assuming that the consolidation of shares took place at the beginning of the year, because the consolidation of shares, at the ratio of one share for five shares, was implemented on October 1, 2017.

*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.

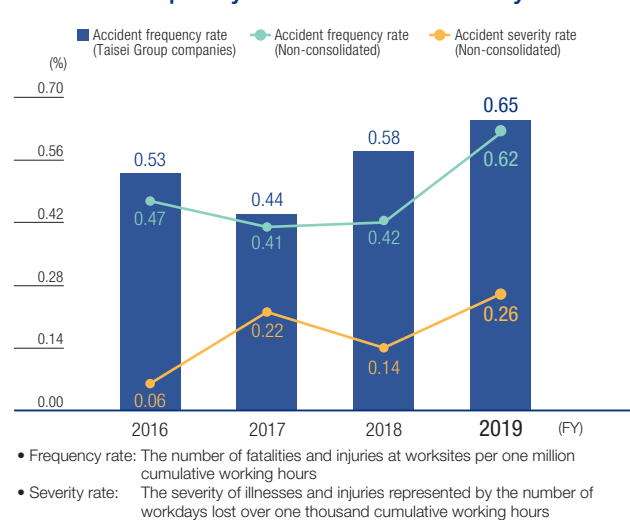
*4 Effective from the year ended March 31, 2019, the Group retrospectively applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The Group applied this change retrospectively and restarted the 11-Year Summary from the year ended March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

Major Non-Financial Data

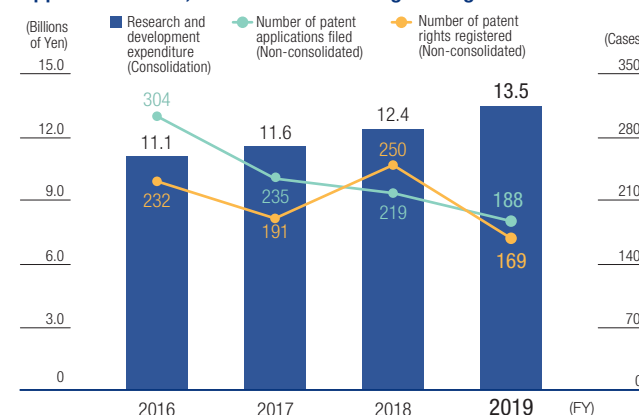
Number of Employees



Accident Frequency Rate / Accident Severity Rate



Research and Development Expenditure/ Number of Patent Applications filed, Number of Patent Rights Registered

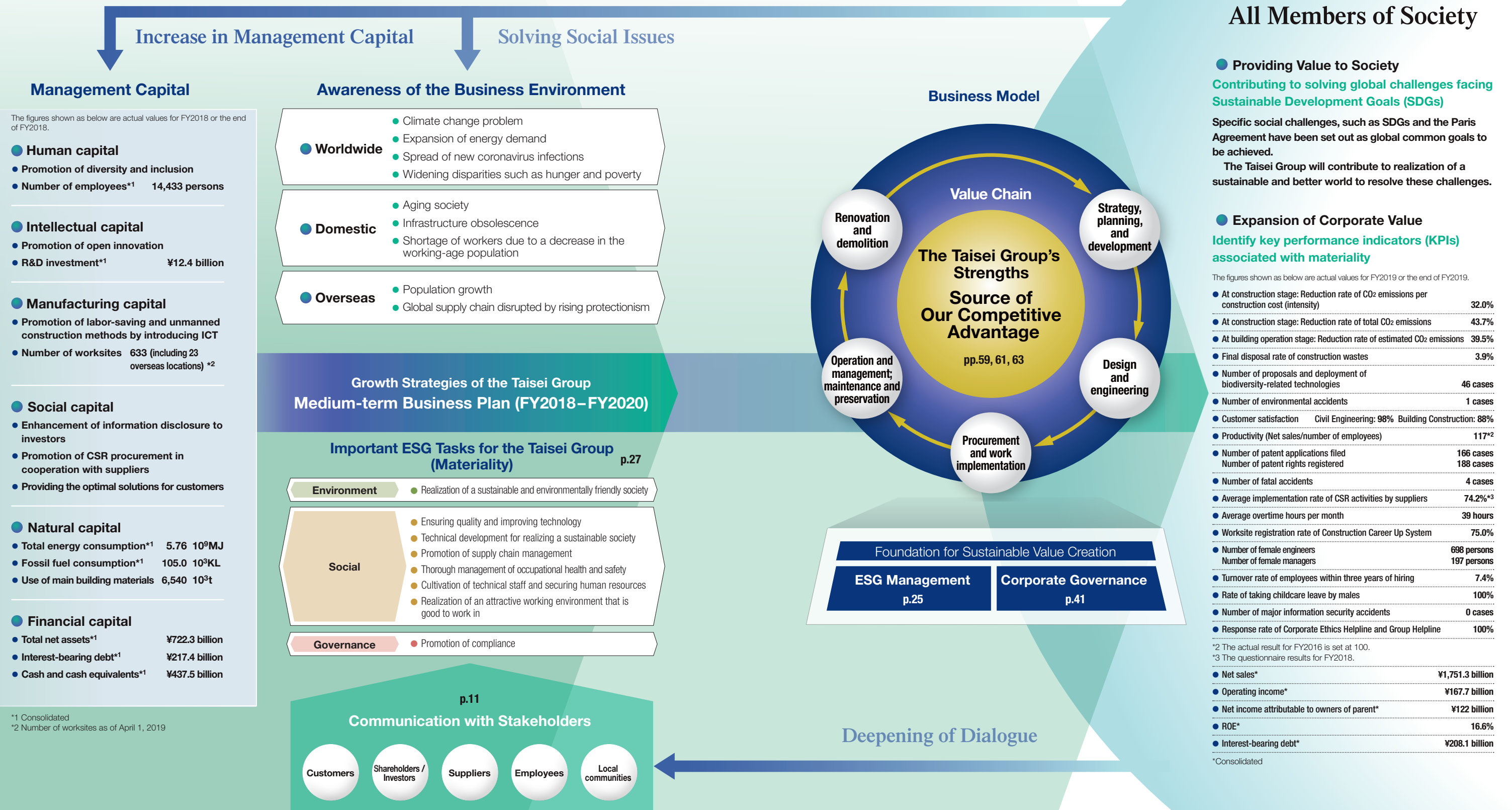


CO₂ Emissions



Value Creation Process of the Taisei Group

Recognizing social issues through stakeholder requests and expectations and solving them through business activities are the starting points for the Company's value creation. Under the Taisei Group Philosophy, the Taisei Group strives to create value by optimally allocating its owned various management capital and leveraging the Group's business model to refine its capital. Through this cycle, we aim to realize the Taisei Group Philosophy and to achieve sustainable development together with society.



Communication with Stakeholders

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

Customers

- Responses in line with the ISO9001/ISO14001
- Survey of customer satisfaction
- Website/Integrated Report
- Company introduction videos, advertisements etc.

Shareholders/Investors

- General Meeting of Shareholders/Securities Report
- IR briefing
- Website/Integrated Report
- Responses to ESG survey companies etc.

Suppliers

- Various training and seminars by Soyukai and the Safety, Health, and Environment Cooperation Association
- Responses in line with the ISO26000/Procurement Policy
- CSR procurement questionnaire survey etc.

Employees

- Exchanging opinions with the labor union
- Holding various training seminars
- Employee satisfaction surveys
- Responses in accordance with the Human Rights Policy
- Internal and external consultation windows
- Intranet/in-house newsletter etc.

Local communities

- On-site tours/briefings, tours of the Taisei Advanced Center of Technology, and open innovation
- Support for global human resource education through scholarships, etc., and support for natural environment conservation activities
- Promotion of construction culture through the lending of architectural works etc.

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 Sustainable Development Goals (SDGs).

● United Nations Global Compact



The United Nations Global Compact (hereinafter “GC”) is a voluntary initiative for companies and organizations to demonstrate responsible and creative leadership, act as good members of society, and participate in the creation of a global framework for achieving sustainable growth.

The Taisei Group participated in the GC in April 2018 and is committed to disseminating and implementing the 10 Principles in the four areas of human rights, labor, the environment, and anti-corruption.

Based on this GC philosophy, we are developing and disseminating technologies to resolve social issues and working on SDGs.

● Sustainable Development Goals (SDGs)



The construction industry has been playing an important role in making countries robust enough to protect people's lives and properties from serious disasters. We recognize that this will

contribute to the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. In order to focus on SDGs, the Taisei Group has introduced the relationship between ESG tasks (materialities) identified by the Group and SDGs. In addition, in order to promote business as a member of the construction industry while always being aware of its contribution to SDGs, the Group is working to ensure that SDGs are widely disseminated, discusses how to reflect them in our business strategies, and the like.

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

Basic Policy

Building the foundation for growth centering the construction business at our core

Aims of the Basic Policy

- To drive the sustainable growth of our overseas business and promote the conversion to a corporate structure that functions effectively in overseas markets
- To create higher added value and to expand revenue opportunities for construction and related business
- To take the unified initiative in addressing “Work Style Reform” and “Advancing Productivity”
- To obtain higher customer satisfaction by ensuring safety and quality

Management Goals

- Sustainable growth of overseas business**
We will drive the sustainable growth of our overseas business and promote the conversion to a corporate structure that functions effectively in overseas markets.
- Strategic investment of management resources in the focused fields**
With our focus on medium and long term market conditions from 2020 and onwards, we will invest management resources (human resources and capital) to the focused fields and differentiated technologies in order for the Taisei Group to achieve higher added value and expand revenue opportunities.
- Reformation of the construction productivity system (advancing productivity): “TAISEI i-Innovation”**
We will interpret the present brisk construction market environment as an opportunity, and conquer busyness and improve productivity by reforming the construction productivity system through technology development, enhanced operational efficiency and strengthened collaboration with our subcontractors and suppliers.
- Creation of an attractive work environment (work style reform): “TAISEI Lively Plan”**
As one of the leading companies in the industry, we aim to lead in work style reform by creating an attractive work environment where all officers and employees of the Taisei Group and all workers engaged in the construction industry work in a lively setting, inspiring future workers in the industry.
- Pursuit of safety and quality: TAISEI QUALITY**
We will reaffirm our understanding of the importance of “safety” and “quality,” which are the basic cornerstones of the construction industry. We will maintain the highest standards of safety and quality even during peak periods.
- Reinforcement of management infrastructure**
We will drive forward with advancing our management infrastructure to meet the demand of society and of the times, and gain trust and high evaluation from all stakeholders.

“To Become a Company that Leads the Creation of a Sustainable Society”

How should the Taisei Group foresee the future and aim for new growth under the circumstances where not only the construction industry but also society as a whole is suffering from unprecedented changes such as the intensification of natural disasters and the spread of COVID-19?

New President Aikawa and Professor Takeshi Mizuguchi, who specializes in Responsible Investment (ESG Investment) and Non-Financial Report, held a discussion regarding the above matters.



Efforts for Human Resource Development and Establishment of the Medium- to Long-Term Vision

Mizuguchi: As you assume the role of president and take over the helm of management, which parts of current operations do you intend to make changes to or keep as they are?

Aikawa: We are currently promoting the Medium-term Business Plan, and the final year of the Plan falls in this fiscal year ending March 2021. Accordingly, we will continue pursuing the Basic Policy of “Establishing a foundation for growth with the construction business at the core.”

At the same time, I believe that human resource development will be one of our most important management issues. We have been focusing on human resource development through education and training. However, as the external environment is rapidly changing, I would like to take initiatives in further reviewing and strengthening our human resource development.

Another important issue would be the establishment of the medium- to long-term vision. Without getting stuck with a short-term performance-based perspective, we would like to formulate a new Medium-term Business Plan that will start in the next fiscal year after determining how the Company

shall achieve sustainable development and aim to contribute to society in the future.

Mizuguchi: What are the most important skills required for the human resources of Taisei Corporation?

Aikawa: I think “communication capabilities” are the most important. Our role of building and providing products and services that satisfy our customers in an optimal construction method can be achieved through communication with our customers and business partners as our suppliers. Therefore, the human resources of Taisei Corporation are asked whether they have the superior ability to do so. We also need flexibility and resourcefulness to independently device how to work in these changing times.

Mizuguchi: Of course, short-term profits are important for companies, but you recognize that Taisei Corporation needs to develop a new medium- to long-term vision for the future growth of the Company. To do so, it is necessary to identify how society will change from medium- to long-term perspectives. How do you view global trends?

Takeshi Mizuguchi

Profile:

Professor, Faculty of Economics, Takasaki City University of Economics (PhD in Business Administration)
In 1984, he graduated from the College of Policy and Planning Science, Third Cluster of Colleges, University of Tsukuba. After working at Nichimen and Eiwa Audit Corporation, he became a full-time lecturer at Takasaki City University of Economics in 1997 and assumed his current position in 2008.

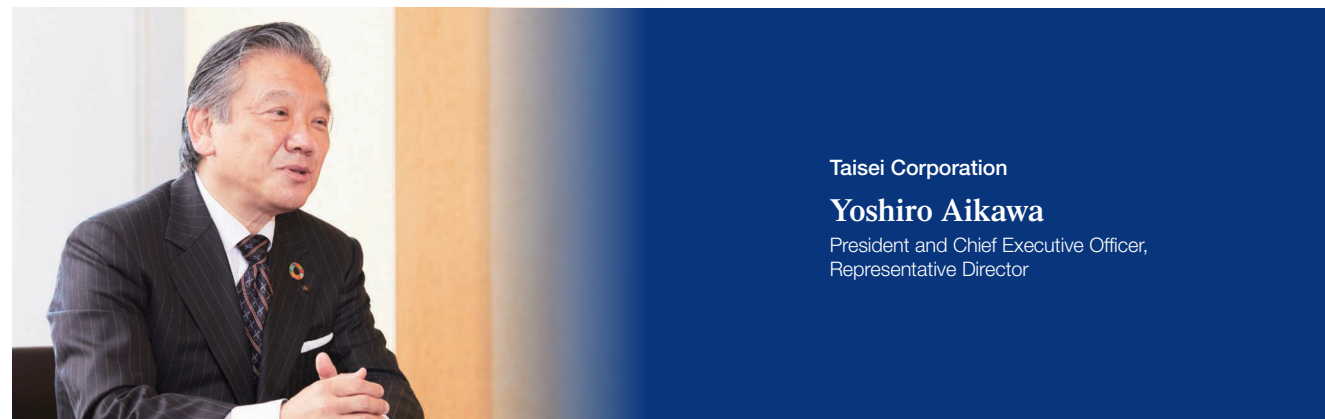
Aikawa: Obviously, the situation is extremely uncertain in the short term due to the impact of COVID-19, however in the long-term prospects by 2030 or 2050, there are concerns that natural disasters will become more severe due to climate change. Therefore, the infrastructure development to strengthen the foundation of the country, such as flood control measures including underground detention ponds and flood control tunnels which our Company has been also involved in, will be essential. The shortage of workers due to a decline in the working-age population is also a problem. What I am particularly concerned about is the economic gap between metropolitan areas and other regions. The gap has a tendency to expand further, and I feel it is important to consider how the construction industry should be involved in this matter.

I was Chief of the Kyushu branch until 2016. During the three years that I spent in Kyushu, I saw firsthand how rural areas are becoming impoverished due to the effects of population outflows and declining economic and social sustainability. On the other hand, Tokyo is becoming more and more crowded and congested. If the negative effects of

this concentration continuously emerge, I am afraid that it will become a serious problem.

Mizuguchi: In Tokyo, redevelopment is progressing, and the construction market remains strong. However, if other regions become impoverished, the construction industry market as a whole will shrink.

Aikawa: As long as Japan is centralized, for example, if a big earthquake such as a Nankai Trough Mega Earthquake occurs and urban areas including Tokyo, Nagoya, or Osaka are hit, the impact will spread to the whole country, including the areas not directly affected. From such point of view, I think Japan should aim for decentralization. In this context, we shall promote the conversion of cities into compact, smart cities as well as the creation of the communities where the elderly can live comfortably. In addition, we need to fulfill our role as a developer including conducting business investment. In other words, it is an effort to generate and revitalize regions. It is not an agenda that our Company can tackle alone, and we need to work together with government agencies and local governments.



Taisei Corporation
Yoshio Aikawa
President and Chief Executive Officer,
Representative Director

How the Construction Industry Should Aim to Create a Livable Environment

Mizuguchi: Because, in the construction industry, contractors perform its works based on the contract, contractors traditionally have built what clients wanted. If you are going to create the attractiveness of cities based on your proposal, what challenges would you face?

Aikawa: Without a place for young people to work, regional development cannot be sustained. In Kyushu, especially in the areas other than prefectural capitals, factories which have been supporting local employment and development for a long time are gradually withdrawing, and the areas are declining. I believe that the government should take the initiative in encouraging factories that have been relocated overseas to be brought back to Japan, as well as creating new production and employment opportunities in local areas. For the vitalization of such regions, we would like to contribute to areas such as urban redevelopment projects in core local cities, airport concession projects including the operation of regional airports, and participation in regional area management projects.

Mizuguchi: In the wake of the COVID-19 pandemic, there seems to be a movement to reconsider overseas shifts and a trend to utilize local areas with work-at-home. If more people move to regional cities, they will enjoy spacious land. I think there will be many advantages.

Also, regarding the intensification of natural disasters caused by environmental changes that you mentioned earlier, I agree that heavy rain and floods will increase in the future. The construction industry plays a role in the restoration and reconstruction of the affected areas as well as the reduction of the environmental impact of buildings, which is part of the root cause. Furthermore, what do you think about making communities resilient?

Aikawa: It is important to take measures on rivers to prevent flood damage. In Japan, many levees built in the Edo period still play an important role. It is inevitable that not only levees but also civil engineering infrastructure such as tunnels and

bridges face the issue of aging. It is important to aim for a resilient infrastructure by continuously conducting maintenance and renewal. It is the most direct social contribution by the construction industry, and we are proud of it.

Mizuguchi: When we think about the way the construction industry should be, we used to have the image of creating new buildings one after another. But, I think that the construction industry in the future will require engagement in creating a livable environment.

Aikawa: That's right. Of course, our Company is implementing environmental measures, such as reductions in CO₂ emissions, industrial waste, and resources we use. We also recognize the need to create new, livable environments.

Mizuguchi: I believe that it is necessary to change the definition of the concept of construction from merely "building structures" to "making places for people to live," "reviving nature," or "creating communities." And if the concept is expanded even more to "support our rich lives" by doing so, we will be able to see what the construction industry should do in the future.

Aikawa: That is exactly how we should be in line with the Taisei Group Philosophy, "To Create a Vibrant Environment for All Members of Society."

It is important to respect nature and keep the balance based on the recognition that, while the construction business generates value by establishing the foundation for economic and social development, it also has various impacts on nature such as the transformation of nature, consumption of resources and energy, and generation of waste.

Mizuguchi: In the future, people's lifestyles and ways of thinking will be different through the COVID-19 pandemic, and perhaps values will change as well. Therefore, I think that there will be a growing trend to appeal the attractiveness of nature in order to encourage people to return from metropolitan cities to their hometowns in regional areas.



Takasaki City University of Economics
Takeshi Mizuguchi
Professor

For the Future of the Taisei Group and the Construction Industry

Mizuguchi: Taisei Corporation alone has about 8,500 employees, and the Group as a whole has a little less than 15,000 employees. How many people are working, including those from specialist construction companies?

Aikawa: We have about 37,000 people who are called skilled construction workers or craftspeople working at construction and civil engineering project sites per day. About 4,500 employees work at project sites. The number of project sites is about 400 for the building construction and a little less than 200 for the civil engineering.

Mizuguchi: When we consider the theme of strengthening human resources for the skilled workers of specialized construction companies, it is targeting about 37,000 people. It must be difficult to work on them directly.

Aikawa: The construction industry as a whole has a system called "Construction Career Up System" (see p.39), and we are also actively engaged in this by taking a leadership role. The system allows us to record and visualize the employment history and qualifications of skilled construction workers. For skilled construction workers, it can improve their treatment based on an appropriate evaluation of their abilities and experience accumulated in the system. It will eventually secure workers for the construction industry in a long run. Based on the system, we are working with other industry groups to improve the treatment of skilled construction workers. For the construction industry, increases in the income of skilled workers is one of the most important issues.

Mizuguchi: Isn't the problem of income disparity expanding due to the COVID-19 pandemic?

Aikawa: At our Company, we are taking all possible measures to prevent infections and, in principle, we are continuing construction without closing project sites. Many skilled construction workers are paid by the daily basis monthly salary plan. So, we worried about influence on the lives of the workers and their families.

How could we overcome such income gaps? I would like to ask for your comment.

Mizuguchi: This problem is not only for the construction industry but also for the entire economy. As a company, I think it is necessary to distribute profits fairly, while there are things that can be done and cannot be done. In Japanese, there is a word, "Sampo-yoshi" (good for three parties: The seller, the buyer and society), which was coined a long time ago. Are we in the condition of "Sampo-yoshi"? It is necessary to review the purpose of companies, so that the distribution of wealth in society as a whole can be carried out successfully.

Aikawa: I think the word of Oumi merchants, "Sampo-yoshi," is wonderful. It is a valuable way of thinking.

Mizuguchi: Could you tell us about your overseas business? You must be focusing on overseas markets as an important growth opportunity for the future. What are Taisei Corporation's strengths and how do you intend to earn the trust of local communities when expanding overseas?

Aikawa: In foreign countries, I feel that the achievements in social infrastructure development projects are highly emphasized. Taisei Corporation has an extensive achievements in airports, and tunnel and bridge construction both in Japan and overseas. So, we shall gain the trust in the local markets through the evaluation of these projects when expanding overseas. In the areas where we are expanding, we intend to make our Company's high technological capabilities recognized through alliances with local general contractors. In addition, we can also work with global contractors on large projects. Again, our infrastructure-related achievements are important.

Mizuguchi: I would like to see Taisei Corporation driving the creation of a sustainable society by playing a leading role in addressing environmental issues and other tasks.

Social Infrastructure That Is Passed onto the Future

In recent years, Japan has been significantly affected by natural disasters. Due to climate change, the severity of natural disasters is increasing on a global scale. As a result, the role of the construction industry is also becoming more important than before in respect of the recovery and reconstruction activities and the infrastructure development. Executive Vice President Shigeyoshi Tanaka, who manages our overall civil engineering business to develop social infrastructure such as dams and bridges, talked about what we should do as the construction industry with an interviewer Mr. Keiichi Ushijima who are supporting many companies as an SDGs advisor.



Taisei Corporation
Executive Vice President,
Members of the Board;
Chief of Civil Engineering
Division
Shigeyoshi Tanaka



Expert and facilitator
CCaSS Leader and Partner
Ernst & Young ShinNihon LLC

Mr. Keiichi Ushijima

Profile:
In 2002, Mr. Ushijima joined Hitachi, Ltd. Since 2005, he was engaged in CSR and sustainability strategies for the entire Hitachi Group. He promoted the integration of CSR and management strategies, and strived to realize the Company's philosophy and Group vision. Since 2014, as EY's CCaSS leader in Japan, he has been conducting research and providing advice on global business and sustainability.



How to Create “A Vibrant Environment for All Members of Society”

Ushijima: The vision of the society that the SDGs intend to achieve includes the goals that we cannot attain without changing ourselves. With conventional ways of thinking, it is impossible to achieve economic prosperity while protecting the natural environment without leaving anyone behind. It is now necessary to come up with all kinds of ideas and promote the reform to pursue three aims simultaneously: the benefits for the environment, the people's happiness and the economic growth.

Based on this recognition, I would like to hear your opinion regarding the vision of society that Taisei Corporation envisages. I believe that the civil engineering business of the Taisei Group upholding the Taisei Group's Philosophy “To Create a Vibrant Environment for All Members of Society,” is an extremely important task because it builds infrastructure assets that will be passed onto future generations. On the other hand, in recent years, large-scale natural disasters have frequently occurred, destroying the infrastructure assets built by our predecessors. Meanwhile, how will the civil engineering business of the Taisei Group recognize and realize “a Vibrant Environment for All Members of Society” in the coming era?

Tanaka: I believe that the construction industry, especially the civil engineering business through the development of infrastructure, can contribute to the realization of the society as the 17 goals of the SDGs, particularly No. 9, 11 and 13, intend to achieve.

The original meaning of the word “Civil Engineering” is “engineering to build a civilized society for citizens.” In other words, the important mission of our civil engineering project is “Contributing to the development of a civilized society of the future for citizens” through the development and maintenance of social infrastructure such as bridges, roads, railways, water and sewerage systems, ports and dams, and at the same time contributing to the realization of the social image the SDGs aim to achieve.

What is “a Vibrant Environment for All Members of Society”? From the perspective of civil engineering, it will be achieved when infrastructure that supports affluent lifestyles and industrial development functions smoothly and comfortably. However, as you pointed out, in recent years, there have been large-scale natural disasters in Japan almost every year. Immediately after the occurrence of such disasters, we start working on road clearing and emergency restoration of levee

breaks in rivers. However, before that, from the perspective of the disaster prevention and mitigation, it is necessary to develop disaster-resistant cities and infrastructure. We believe that our fundamental role in protecting people's lives and the basis of the livelihoods will become increasingly important.

Ushijima: I think that the nature of the civil engineering business you mentioned have been developed in the long history of Taisei Corporation. Now that the phase of the world has begun to change, what should the civil engineering business change?

Tanaka: In recent years, I think there have been significant changes from the viewpoint of environment-friendly construction and productivity improvement. For example, in the past, the aggregate used in concrete for the dam construction had to be crushed stone, which is a material obtained by crushing natural rocks of good quality. Therefore, we needed to have crushed stone, which was collected from a mountain different from the dam construction site. In short, the construction of a dam had an impact on two places, the dam construction site and another mountain.

Recently, however, as the new dam technology*1 has been developed, it is now possible to use materials other than high-quality natural rocks as concrete materials. This is

an effort to protect the environment without excavating other mountains. In addition, it is also possible to reduce the operation of heavy machinery by shortening the construction period and by saving labor, or to reduce fuel consumption by using fuel-efficient heavy machinery. In this way, there will be further changes in the future, minimizing the total energy consumption and reducing the resource input as well as preventing adverse effects on the environment.

Ushijima: What is the driver of such technological innovation at Taisei Corporation? Also, how many years are you looking ahead to improve such technology?

Tanaka: We establish a medium- to long-term strategies by backcasting based on how we should be in 2030 and 2050 as aimed for in our Environmental Targets. We need to promote technological development for that.

Each of our employees has the spirit to challenge and overcome difficulties they face. Our mission is to solve various problems utilizing technology, which is our driver of innovation. We take a lot of pride in creating products that are useful to people as well as the foundation for our lives and economic development. Our Group has a corporate slogan, “Work that remains on a map®.” The joy of being involved in such work must be great motivation for our employees.

We Solve Infrastructure-Related Challenges with Innovation

Ushijima: In 2015, when the SDGs were adopted, the aging of the population and natural disasters were identified as challenges that the world would face in the future. Ahead of the rest of the world, Japan is facing numerous issues, including the decline in population due to the aging of the society. It is also a country with frequent disasters where many earthquakes occur and typhoons pass. We have opportunities to generate a number of innovative solutions while we execute civil engineering projects in Japan, a country which encounters many issues and limitations ahead of other countries.

Tanaka: That's right. It is necessary for us to respond to the problem of frequent disasters through innovation. For example, these challenges led us to innovate solutions such as unmanned heavy equipment with remote control functions by fully utilizing Information and Communication Technology (ICT). This also leads to the improvement of productivity and reduces the risk of contact between workers and heavy machinery, enabling safer construction. To give another example, in the past, workers who constructed tunnels had to work in an environment where high levels of dust and noise exist. We developed and

introduced technologies that reduce the number of people involved in such work, make work unmanned, or remotely operate heavy machinery from a well-placed driver's seat to excavate tunnels. These technological developments greatly improved the working environment.

Meanwhile, as for work at office, ICT adoption is advancing in various areas including design work, which was promoted by the response to COVID-19. It has become clear that most of the work can be done outside the office. At the same time, we could identify the work that has to be done in the office, and the way to follow it up.

Ushijima: I found the utilization of ICT very interesting. If the development and transmission of technologies, which has been the strength of Taisei Corporation, will be integrated with ICT in the future, new capabilities (organizational abilities) will be required. How will you acquire them? That would be another issue.

Tanaka: We used to employ mainly graduates who majored in civil engineering, however, recently we have been hiring people who are familiar with IT and AI and work in the mechanical field. In addition, the civil engineering division is

*1 New dam technology: Construction methods such as constructive solid geometry (CSG) using a mixture of cement and locally acquired materials such as stone and sand as materials.



not developing technologies independently, but is working in collaboration with the Taisei Advanced Center of Technology and civil engineering subsidiaries more than before. The Taisei Advanced Center is also promoting open innovation with companies in other industries, small-and medium-sized companies and venture corporations. For example, we are working on i-Construction*2 using 5G in collaboration with telecommunications carriers to develop remote control technology for heavy machinery. From now on, various human resources will play an active role in a wide range of situations.

There is an example that I heard of at a major French construction company that I am acquainted with. Among the

members of the technical development team for shield tunnels are two data scientists who supported engineers by utilizing the big data related to construction that had been accumulated and analyzing interrelations. Since last year, we have been trying to use the accumulated data to rationalize operations at worksites and shorten construction period.

Ushijima: In the future, will there be any opportunities to utilize the data not only for infrastructure construction but also for management business including maintenance?

Tanaka: In the construction of office buildings, we already started Digital Transformation (DX) business using data. We developed the system to quickly assess the soundness of buildings immediately after an earthquake hits and notify building owners and managers of the results in a timely manner. In the civil engineering business, it is possible to conduct business such as regularly measuring cracks in bridges through image diagnosis using drones. However, in the case of public works, infrastructures are subject to public property management, which makes it difficult to utilize data.

If the data from various infrastructures becomes available in the future, in addition to digitization such as surveys using of drones, we will be able to create new value by changing the entire business model, including the operation and management business of infrastructures as you pointed out.

*2 i-Construction: The Ministry of Land, Infrastructure, Transport and Tourism's efforts to improve the productivity of the entire construction production system and make construction sites more attractive by introducing measures such as the full utilization of ICT (ICT construction work) at construction sites.

Providing Proactive Proposals for Urban and Social Development

Ushijima: From the perspective of the SDGs, Taisei Corporation's Civil Engineering Division in particular can provide solutions to properly manage and operate infrastructure that should remain as shared assets of society for more than 100 years.

The Stockholm Environment Institute in Stockholm, the capital of Sweden, developed the SDGs Wedding Cake Model*3, which takes a comprehensive view and represents the SDGs concept by categorizing 17 SDGs into a model consisting of three layers: Economy, Society, and Environment. The Economy is supported by the Society and the Society is assisted by the Environment, with the goal 17 "Partnerships for the goals" set at the top.

I would like to see Taisei Corporation's civil engineering businesses establish close partnerships with the national

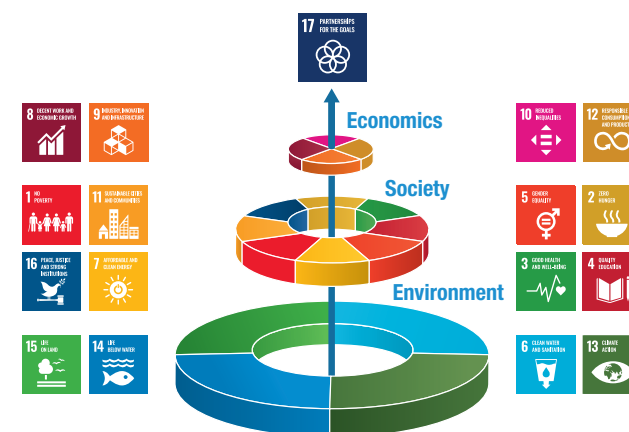


Figure: Conceptual diagram of the SDGs
(Source: Created by Taisei Corporation based on "Living Planet Report 2018" WWF Japan)

*3 An infographic created by the WWF by reference to the diagram developed by the Stockholm Environment Institute
(Source: "Living Planet Report 2018" WWF Japan)
(https://www.wwf.or.jp/activities/data/201810pr2018_jpn_sum.pdf)

and local governments and make proactive proposals for urban and social development toward the achievement of the SDGs. How would you think?

Tanaka: For infrastructure construction, there is an ordering framework called ECI (Early Contractor Involvement). The Ministry of Land, Infrastructure, Transport and Tourism and other organizations begun to adopt this framework as a way for construction companies to engage in projects from the planning stage and promote infrastructure development more efficiently, economically, and speedily. Our Company also recently received two orders for major construction projects*4 through the ECI framework. We will focus on these initiatives to build partnerships with government agencies and make proactive proposals.

There is another construction work management system called BIM (Building Information Modeling)/CIM (Construction Information Modeling/Management), which led to the aforementioned innovation. BIM is used in the architecture field, and CIM is used in the civil engineering one. By sharing information mainly through three-dimensional modeling software, we aim to upgrade and improve the efficiency of production systems. With further use of this system, we can not only improve the productivity during construction, but also utilize construction data for maintenance. We can also administer and manage operations foreseeing throughout the lifecycles of structures. It will become the means of managing infrastructure planning, construction, operation, and maintenance. During the process, we are able to offer various proposals to government agencies and local governments, and at the same time gain trust as a partner. This is one of the innovations that will contribute to the development of future infrastructure development projects.

Ushijima: Whether the progress of global warming will increase in severity or be alleviated by human efforts in the future, the construction industry, especially infrastructure development, will continue to be a necessary business for the society. However, if disasters and accidents, which are said to occur only once in 100 years, start happening frequently, how infrastructure should be will change. Furthermore, the evolution of technology and the increase in the number of the elderly will also affect how infrastructure should be.

While the construction industry is at a major turning point in its long history during these couple of years, I believe that Taisei Corporation is at the forefront of the battlefield against the difficult challenges people are facing. I feel that there is a reason for the existence of the Civil Engineering Division, which constructs the social infrastructure for people to live in safety

*4 ECI framework projects for which we received orders: (1) Shikoku Branch: National Highway Route 32, Kochi Bridge, Seismic Reinforcement Project (Client: Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism); and (2) Kyushu Branch: Tozaidoro Shield Tunnel Outbound Line Route in Kagoshima Prefecture (Client: Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism)



and security. I have high expectations for the infrastructure that you will realize and a new way of "a Vibrant Environment for All Members of Society."

Tanaka: Japan's vertically-long land is divided by many chains of mountain. Japan has many earthquakes and is geologically fragile. It is partially due to the fact that nearly 60% of the land is snowy and cold. There is no doubt that Japan is a country in which infrastructure development is more important than other countries because of the uniqueness of the land.

We should recognize that Japan's economy will be weakened if it does not place more importance on infrastructure development than other countries do. I think that the low labor productivity is partly attributable to the state of infrastructure.

In order to enhance national power, we must support the foundation for people's livelihoods and vitalize the economy. To do so, I would like to emphasize the necessity of a sustain-able and resilient infrastructure.

We have the technology and human resources to realize various possibilities and future visions for new infrastructure. By improving our employees' capabilities, we should aim to create the foundation of the country that will be handed down to the future as the company with civil engineers who are flexible enough to respond to social issues by utilizing a variety of specialized knowledge, and with employees who will play an active role in the creation of sustainable social infrastructure systems that pursue technological innovation.

Mr. Ushijima, thank you very much for sharing your insights with us.

We will contribute to the achievement of SDGs by labor-saving with robots at construction sites and improving work efficiency by introducing artificial intelligence (AI).

“TAISEI Creative Hub” × SDGs

Creating an Attractive Workplace Environment

CASE 1 Developing New Workplaces That Promote Health and Productivity Management and Work Style Reform

1

TAISEI Creative Hub

This is the Company's unique promotion activity to create an attractive work environment that is good to work in for each and every employee.

ABW

An abbreviation for Activity Based Working, which is a method that enables each employee to improve his or her productivity and motivation to work by selecting the working environment according to his or her purpose in order to work optimally.

As part of our efforts for health and productivity management and work style reform, we have launched a new “TAISEI Creative Hub” initiative.

Taisei Corporation is promoting the creation of spaces with the aim of actively improving the physical and mental health of working people to increase productivity, and is introducing new workplaces starting from our own facilities such as branch offices. To further evolve our efforts, we are now building a new workplace that incorporates the ABW concept.

We believe that these efforts will create new value in the working environment, and that the various data and knowhow obtained there will help our customers resolve issues to realize health and productivity management and work style reform.



Case example 1 Suburban workplace:
Open Meeting Space (Taisei Advanced Center of Technology)
A workplace that creates innovation through people-to-people interaction in an open terrace-like space.



Case example 2 Temporary workplace:
Wellness Worksite (Akasaka Junior High School, etc., Maintenance Work Worksite Office)
A workplace for employees and workers at the forefront of construction.
ZEB has also been realized at the same time as the Wellness Worksite (see p.31).

Renewal of Taisei Advanced Center of Technology ZEB × SDGs

Demonstration Building as “Human Space Lab”

CASE 2 Utilizing New Technology and AI/IoT to Further Improve ZEB and Wellness Functions

2

WELL Certification Version 1

A health building performance evaluation system in the United States. The WELL Certification focuses on the health of working people from the viewpoint of “human health,” and it has established 100 unique indicators in seven areas: Air, water, nourishment, light, fitness, comfort, and mind. The status of implementation is evaluated on three levels; namely, platinum, gold, and silver.

The ZEB Demonstration Building at the Taisei Advanced Center of Technology (Totsuka-ku, Yokohama City, Kanagawa Prefecture) is used as an office while verifying the adopted energy conservation technology and energy creation technology using solar panels. The building itself has achieved annual zero energy balance for five years since its completion. In May 2019, we became the first company in the world to acquire the WELL Certification Platinum (entirely new/existing building), the highest rating in the building and indoor environmental assessment system. Since its completion in 2014, the building has been providing a comfortable indoor space that is harmonized with nature through natural lighting (T-Light Cube) and natural ventilation (T-Fresh Air), and has been highly evaluated for its enhanced health and comfort for workers.

In February 2020, we refurbished it as “Human Space Lab,” which simultaneously realizes functions of a net zero energy building (ZEB) utilizing new technology and AI/IoT, and the Wellness, which takes into account the promotion of physical and mental health, comfort, and intellectual productivity. Going forward, we will further proceed with examination from both ZEB and wellness aspects, aiming to spread ZEB in urban buildings as well as to expand the spread of support services for new work styles utilizing AI and IoT, and of Wellness Offices.



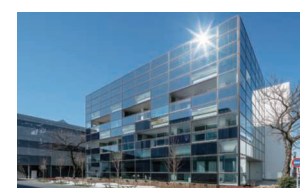
Wellness Office in the Human Space Lab



Building Energy-Efficiency Labeling System (BELS): ZEB



WELL Certification (healthy building performance evaluation system)



Replacement with high-efficiency wall photovoltaic panels

“TAISEI i-Innovation” × SDGs

New Technologies for Improving Corporate Value

CASE 3 Succeeded in Self-Driving of Heavy Machinery That Detect Humans with AI

3

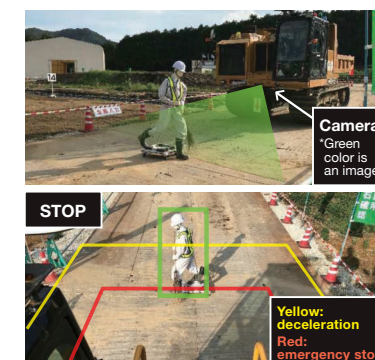
T-iROBO® series

This is a series of work robots developed by Taisei Corporation as unattended construction machinery for the purpose of collaboration between humans and robots. Since 2012, 11 types of robots have been developed.

We are developing the latest version of the T-iROBO® series.

The newly developed self-driving carrier dump truck T-iROBO® Crawler Carrier is a rough terrain carrier* that automatically carries out all of the series of carrying operations, in which earth and sand are transported on a specified route, unloaded at a specified location, and then the vehicle returns to the loading site. Based on the crawler dump MST-2200 VDR (manufactured by Morooka Co., Ltd.), it is equipped with a human body detection system with image processing technology utilizing artificial intelligence (AI), and is compatible with 5th generation communication systems (5G).

*A vehicle built to carry earth and sand or other materials on rough terrain



Human body detection system test (conducted using dummies)

CASE 4 Realizing Reduced Burden on Hospital Staff and Efficient Radio Wave Management

4

T-Hospital® Wireless Viewer

The Company's original simple evaluation method for the electromagnetic environment of wireless telecommunications equipment.

Medical information devices using radio waves, such as biometric monitors, have been rapidly introduced at hospitals and emergency medical centers, and an environment to support patients has been established. On the other hand, the radio wave environment has become complicated due to the use of various communication and information devices such as Wi-Fi carried by patients, and radio wave problems such as equipment malfunction are increasing. For this reason, in the past, the radio wave environment was measured by specialists for each medical information device and countermeasures were taken on a case-by-case basis, but it was difficult to grasp the changing radio wave environment in real time. To address this issue, the Company has developed T-Hospital® Wireless Viewer as a technology for ascertaining the locations of medical information devices and radio wave conditions. We have conducted evaluations of the radio wave environment at each stage of a hospital's planning, design, construction, and operation, and deployed a service to provide an environment in which medical information devices can be used with peace of mind since June 2018.

Furthermore, we expanded the functions of the T-Hospital® Wireless Viewer and developed a technology that enables real-time monitoring of the results of automatic measurement of the radio wave environment at various locations within the hospital.

CASE 5 Development of T-Zone Saver® Connected That Accurately Identifies the Location of Individuals

5

T-Zone Saver®

An ultra-energy-saving automatic environmental control system for lighting and air conditioning that uses next-generation human detection sensors developed jointly by the Company and Toko Electrical Construction Co., Ltd.

In 2010, we developed a detection technology “T-Zone Saver®” that can identify the presence of people with a high degree of accuracy. By linking this technology with air conditioning and lighting control, we have introduced it to many buildings as a technology that achieves both indoor comfort and energy conservation.

By combining T-Zone Saver® with positioning information obtained from “EXBeacon*,” a technology that enables identification of individuals, we have jointly developed an algorithm with Waseda University to identify not only the location of individuals but also each of them with high accuracy, and have newly expanded the function as “T-Zone Saver® Connected.” The application of this technology enables the provision of comfortable services, such as “providing spaces according to preference” that meet the various situations of office workers.

*EXBeacon is an IoT dedicated LAN built on a mesh network “WHEREmesh” developed by WHERE, Inc.

Encourage the Future

“Does this technology encourage the future?”

The Taisei Group will continue to ask this question.

We have connected the strait between Asia and Europe, built skyscrapers, and converted the power of nature into energy.

We have always been thinking things on a global scale, looking ahead for generations, and shaping the future strongly.

Now that the world is changing rapidly, it's a time to use that power to encourage the future.

We will construct a flexible future by smartly giving shape to small ideas globally while joining hands with people from different fields with keeping on an authentic unchangeable way, a steady and sometimes playful spirit. We believe that the technologies and ideas we create will update the future and make people around the world shine brightly.



Road infrastructure linked to automobiles

Future Transportation

Toward a city where everyone can travel more safely and freely

In the future, Compact Plus Network* city development will be promoted at many cities in Japan. In the compact city, a new transportation infrastructure can help to solve problems such as the shortage of drivers, vulnerable road users and traffic jams.

In addition, autonomous vehicles carry passengers and commercial goods in the main artery of traffic connecting megacities and smaller cities. In 2030, we will be supporting universal mobility services from our infrastructure in which anyone can move freely to where they want to go and get what they need no matter where they are.

***Compact Plus Network:**

An initiative to network multiple compact cities by linking local public transport.



Compact and high-density transportation system

Technologies of 2030, and beyond

Long-term technological development toward a “Vibrant Future for All Members of Society”

While sophisticatedly shaping the small ideas to global ones with keeping on an authentic unchangeable way, a steady and sometimes playful spirit.

With the participation of young and mid-career researchers, as well as specialists from various departments, we are studying future societies that will take advantage of leading-edge technologies that transcend the framework of the construction industry, and future societies that create new businesses.

Future society, where people, things and events are linked and continue to evolve.



Future Farm

Everyone will become familiar with enjoyable agriculture and keep the healthy and rich diet



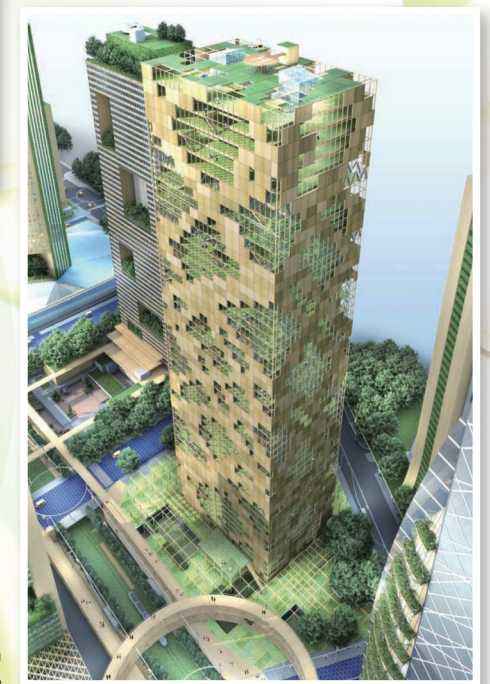
Smart farms where everyone gathers and that are resistant to disasters

A farm we imagine is not just a production site for agricultural products, but a place where everything from research and development to production, processing, distribution, and experience happen.

In Japan, a small island, it is possible to obtain fresh, safe, and delicious food at any time by maintaining highly productive farms in every place and scene where people live.

In 2030, Taisei will have expanded the possibilities of agriculture through the installation of farm infrastructure in cities, the digitization of agriculture, and the smart development of agriculture, and will be supporting a society in which anyone can naturally participate in agriculture.

Super high-rise farm buildings that make use of the urban environment and are closely connected to daily life

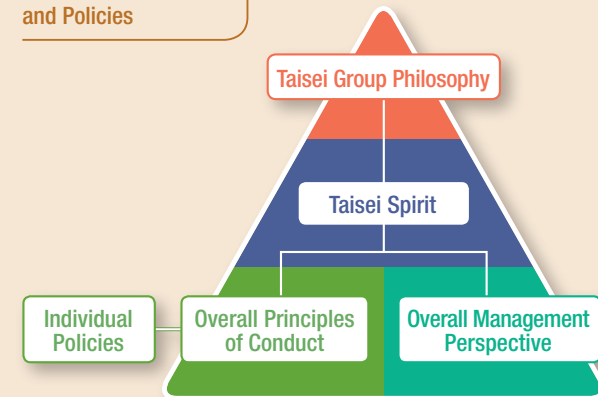


Sustainability of the Taisei Group

CSR/ESG Framework

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 Action Guidelines for Taisei Personnel and the Taisei Group as a Whole and Individual Policies “Overall Principles of Conduct” and “Overall Management Perspective” and Medium-term Business Plan. The basic principle of CSR and ESG is to realize a sustainable society 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.

Our Structure of Values and Policies



Our Structure of Values and Policies
<https://www.aisei.co.jp/english/profile/philosophy/>

Individual Policies and Standards on CSR/ESG

Environment	<ul style="list-style-type: none"> Environmental Policy Environmental Targets Declaration of Taisei Corporation on Biodiversity Preservation
Society	<ul style="list-style-type: none"> Quality Policy Safety and Health Policy Procurement Policy Human Rights Policy Social Contribution Policy
Governance	<ul style="list-style-type: none"> Risk Management Policy Policy on Business Continuity in Times of Disaster Fundamental Policy to Enhance Operational Compliance Systems Information Disclosure Policy Policy on Intellectual Property Policy on the Protection of Personal Information Code of Conduct on the Use of Social Media Fundamental Corporate Governance Policy IR Policy Tax Policy

Individual Policies
<https://www.aisei.co.jp/english/profile/philosophy/policies/>

CSR/ESG Promotion System and Management

The CSR Committee has been established to deliberate on CSR and ESG measures. The CSR Committee, chaired by an external member of the board and composed of seven members including the President, consists of eight members. It regularly discusses and reports on the Taisei Group's non-financial initiatives, including CSR and ESG, for the entire Group including the Company.

We have also established various committees to deliberate on important matters related to CSR and ESG, including the Compliance Committee and the Environment Committee.

Corporate Governance System
pp.61-62 Operations Committee/Special Committee

CSR / ESG
<https://www.aisei.co.jp/english/csr/management/>

Various committees related to CSR and ESG

● CSR Committee	Chairperson: External Member of the Board Frequency: twice a year
● Compliance Committee	Chairperson: External expert Frequency: once a year
● Technology Committee	Chairperson: President, Representative Director Frequency: three times a year
● Central Safety Committee	Chairperson: Vice President, Representative Director Frequency: five times a year
● Environment Committee	Chairperson: President, Representative Director Frequency: four times a year
● Risk Management Committee	Chairperson: Vice President, Representative Director Frequency: once a year
● Central Labor Affairs Committee	Chairperson: Vice President, Representative Director Frequency: five times a year
● AI/IoT Business Committee	Chairperson: Vice President, Member of the Board Frequency: twice a year

Compliance with Declarations to Society and International Codes of Conduct, etc.

Seven Core Subjects of ISO26000

The Taisei Group views CSR and ESG from a global perspective and always conducts business activities in accordance with international codes of conduct. In addition to business activities based on the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, Individual Policies, and the Medium-term Business Plan, we focus on the seven core subjects of ISO26000 (international guidance on organizational social responsibility) and use them to promote CSR activities and strive to disclose information in accordance with domestic and overseas reporting standards.

Sustainability Activities (By Core Subjects of ISO26000)
<https://www.aisei.co.jp/english/csr/performance/iso26000/>

Keidanren (Japan Business Federation)

As a member of Keidanren, we respect the content of its Charter of Corporate Behavior and carry out activities toward the “realization of a sustainable society,” which Keidanren aims to achieve. We participate in the Committee on Responsible Business Conduct & SDGs Promotion to promote the development of corporate social contribution and the Committee on Diversity & Inclusion to promote women's participation in society, and have established the “voluntary action plan concerning the appointment of women to board members and managerial positions.” We also participate in the Committee on Environment and Safety, Keidanren Biodiversity Declaration Initiative, and the “Challenge Zero” initiative, which are tackling global warming countermeasures, the formation of a recycling-based society, and the improvement of environmental regulations and systems. We also participate in the Committee on Digital Economy and the Committee on Cyber Security which are working on innovation.

United Nations Global Compact (GC), SDGs

The Taisei Group participated in the GC in April 2018 and committed to disseminating and implementing the Ten Principles in the four areas of human rights, labor, the environment, and anti-corruption. At the same time, it is actively participating in various subcommittees sponsored by the Global Compact Network Japan (GCNJ), such as the Subcommittee on SDGs and the Subcommittee on Human Rights Due Diligence (HRDD).

In addition, in order to promote business as a member of the construction industry while always being aware of contributions to SDGs, we are working to ensure that SDGs are widely disseminated within the Group and discussing how to reflect them in our business strategies, and the like.

Communication with Stakeholders
p.11 Participation in Initiatives

Important ESG Tasks (Materiality)
<https://www.aisei.co.jp/english/csr/management/materiality/>

Council for Better Corporate Citizenship (CBCC)

As a member company of the Council for Better Corporate Citizenship (CBCC), an affiliated organization of Keidanren (Japan Business Federation), we participate in CBCC's CSR awareness activities.

By participating in lectures and dialogue by CSR-related organizations on a wide range of topics related to CSR and sustainability, we are striving to grasp the trends of CSR and to promote it horizontally within the Group.

Japan Forum of Business and Society (JFBS)

With regard to the relationship between companies and society and various issues in sustainable development, we participate in the JFBS, a forum for connecting theory, field, and policy through wide-ranging cooperation between academic circles, industry, government, labor circles, consumer organizations, NPOs, and NGOs in Japan and overseas. We make use of knowledge gained at its annual conference and other events to promote CSR activities.

CARE International Japan

We provide donations to CARE, an international cooperation NGO engaged in humanitarian assistance activities in more than 90 countries around the world. At a symposium hosted by CARE International Japan, our representative presented our initiatives to empower women.

Task Force on Climate-Related Financial Disclosures

At the request of the Group of 20, the Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) in 2015. In July 2020, Taisei Corporation approved its recommendation aimed at identifying and disclosing the financial impact of risks and opportunities posed by climate change.

We also participate in environment-related initiatives such as the Science Based Targets (SBT) and the Carbon Disclosure Project (CDP).



Support for “Task Force on Climate-Related Financial Disclosures (TCFD)”
https://www.aisei.co.jp/english/ir/news/2020/20200727_release.html

SBT Certification
p.37 For Realization of Low Carbon Society

Sustainability of the Taisei Group

Materiality of the Taisei Group

Materiality means important ESG tasks that the Taisei Group must address. We believe this links global issues such as UN's SDGs and the Group Philosophy, and will have an important impact on both society and the Taisei Group from a medium to long-term perspective. It serves as the foundation for the Group's business activities. We will strive for sustainable growth by establishing key performance

indicators (KPIs) in line with these tasks and resolving social issues through our business activities.

 **Taisei Group Medium-term Business Plan**
<https://www.taisei.co.jp/english/ir/plan/>

 **Eight Materiality (Important ESG Tasks for the Taisei Group)**
<https://www.taisei.co.jp/english/csr/management/materiality/>



Materiality Identification Process

In 2018, based on the SDGs and other social issues, as well as the opinions of experts, the Taisei Group incorporated into its management issues the following eight materialities (important ESG tasks) and KPIs that are particularly important for the Group to contribute to in terms of the importance to society and the Taisei Group's management.

The CSR Committee regularly reviews the operation status of KPIs and discloses information in the integrated report. Activities related to other CSR and ESG tasks are reported on the Taisei Corporation website according to ISO26000 (international guidance on organizational social responsibility) core subjects.

Survey and Organization of the Company's Business and Social Issues

Based on the 345 items (related actions and expectations) of the seven core subjects of ISO26000, we conducted our own questionnaire survey to the CSR related divisions of the Group. We have narrowed down the elements of materiality and set qualitative and quantitative targets by recognizing and grasping the important impacts on both society and the Company.

Social Perspective

Based on the elements of materiality, we held a dialogue between ESG specialists (four experts) and management. Based on the specialists' opinions, we have referred to the megatrends that the Company views (SDGs, etc.), discussed how to organize and translate the elements of materiality into a language, and set quantitative targets as KPIs.

Identification of Important Tasks and Approval by Management

The CSR Committee reviewed the identified tasks and KPIs, and identified the eight materialities and approved them in the Board meeting to incorporate them in management issues.

Identified materialities and KPIs are periodically reviewed in light of changes in the external environment, etc.

Materiality's Impact and Related SDGs

SUSTAINABLE DEVELOPMENT GOALS



① Realization of a Sustainable and Environmentally Friendly Society

Negative Impacts

- 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.

Positive Impacts

- 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.

6 7 8 9 11 12 13 14 15 17

② Ensuring Quality and Improving Technology

Negative Impact

- Interruption or suspension of business, loss of opportunities to receive orders, or financial loss due to the occurrence of quality defects.

Positive Impact

- Continuing business and creation of business opportunities through cooperation and building trusting relationships with customers.

8 9 11 13 17

③ Technical Development for Realizing a Sustainable Society

Negative Impact

- Decline in market competitiveness and financial loss due to fewer application track records for development of new proprietary technology.

Positive Impact

- Contribute to solving social issues by improving technological capability through business and increase market competitiveness.

7 9 11 13 17

④ Promotion of Supply Chain Management

Negative Impacts

- Suspension of raw material supply due to occurrence of procurement risks.
- Decline in reputation owing to occurrence of human rights risks.

Positive Impacts

- Sustainable supply of raw materials due to procurement risk management.
- Improved competitiveness as a result of securing good-quality cooperating companies.

4 8 9 11 12 13

⑤ Thorough Management of Occupational Health and Safety

Negative Impacts

- Loss of social trust due to the occurrence of fatal accidents
- Decreased productivity due to occupational accidents

Positive Impacts

- Maintenance of social trust through prevention of fatal accidents
- Improved productivity as a result of achieving a safe workplace environment.

3 8 9 11 12 13 15 17

⑥ Cultivation of Technical Staff and Securing Human Resources

Negative Impact

- Decline in organizational capabilities and loyalty of personnel due to insufficient human resources development and lack of diversity.

Positive Impact

- Increased organizational capabilities and loyalty of personnel by fostering excellent and diverse human resources.

4 8 9 11 12 13

⑦ Realization of an Attractive Working Environment That Is Good to Work in

Negative Impacts

- Decline in organizational capabilities and loyalty of employees due to insufficient human resources development and lack of diversity
- Difficulty in recruitment activities due to a decline in reputation.

Positive Impacts

- Increased organizational capabilities and loyalty of employees by acquiring and developing excellent and diverse human resources.
- Maintenance of reputation by preventing human rights risks.

4 5 8 9 10 16 17

⑧ Promotion of Compliance

Negative Impacts

- Decline in reputation due to occurrence of human rights or corruption risks.
- Interruption or suspension of business due to information security accidents.

Positive Impacts

- Continuation of business and creation of business opportunities through appropriate risk management.
- Maintenance of competitiveness through appropriate information management.

8 9 10 12 16 17

Materiality①

Realization of a Sustainable and Environmentally Friendly Society

Related SDGs



TAISEI
Green Target 2050

The Company's 2050 Environmental Targets established in 2013. It was partially revised in 2018 (2030 targets were added).

Environmental Policy
<https://www.aisei.co.jp/english/profile/philosophy/policies/>

Policy and Management

Environmental Policy and Environmental Targets

Based on the Group Philosophy “To Create a Vibrant Environment for All Members of Society,” the Taisei Group has set forth in its Environmental Policy and Environmental Targets, the formation of high-quality social capital through corporate activities centered on the construction business in harmony with nature.

The construction industry, which is involved in the formation of social capital, is built on the burden on the environment. On the other hand, environmental problems are becoming more and more serious on a global scale, and long-term countermeasures are required. In response to these circumstances, in 2018 we revised our medium and long-term goals, the 2050 Environmental Targets (TAISEI Green Target 2050), based on environmental issues such as climate change, recycling of resources, co-existing with nature, and environmental pollution risk. As a group, we are striving to accomplish the “Realization of a Sustainable and Environmentally Friendly Society.”



Medium- and Long-Term Initiatives

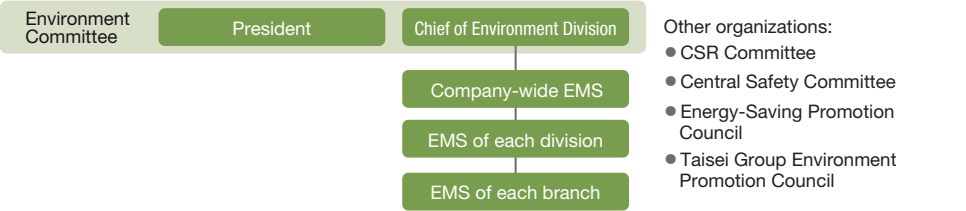
Taisei Corporation's two CO₂ emission reduction targets for 2030, which are benchmarks of “TAISEI Green Target 2050,” have been certified by the SBT initiative. One is the CO₂ reduction target at the construction stage. To achieve this target, we are promoting initiatives to reduce the environmental impact (TSA) in which all employees participate, as well as energy conservation activities by specialized contractors (cooperating companies) and the use of heavy machinery and vehicles with high energy efficiency. The other target is to reduce CO₂ emissions in buildings used by customers. The Company is promoting the provision of advanced energy conservation and ZEB technology, as well as the accumulation of construction results. We will work with various stakeholders in the value chain to achieve our targets.

SBT initiative

Founded in 2015, this organization (initiative) requires companies to establish “Science Based Targets (SBT)” to contribute to the Paris Agreement, which has set the goal of limiting temperature increase to less than 2°C above the pre-industrial level.

Environmental Management System (EMS)

Taisei Corporation operates an environmental management system based on ISO14001 (hereinafter “EMS”) on a company-wide basis. We have set the Environmental Committee chaired by the President, which deliberates and decides on important initiatives for environmental management that leads to the Environmental Policy, medium- to long-term targets, and external evaluations. In addition, risks and opportunities concerning the environment are identified in the EMS, with reference to the recommendations of TCFD, in consideration of compliance with related laws and regulations, as well as various internal and external environmental issues including climate change and social demands. As for cross-divisional environmental issues, the CSR Committee, Central Safety Committee, and the like, have been established to discuss initiatives to address them. In addition, the Taisei Group Environment Promotion Council has been established for domestic Group companies to promote group-wide initiatives.



Achievements in Recent Years and Future Initiatives

TAISEI Sustainable Action (TSA)—An Initiative to Reduce Environmental Impact

To achieve its Environmental Policy and Environmental Targets, Taisei Corporation is implementing TAISEI Sustainable Action (TSA), an environmental impact reduction initiative in which all employees participate. In proceeding with this initiative, it is particularly important for many parties involved in construction, which has high CO₂ emissions, to be aware of the importance of reducing environmental impact. Therefore, in addition to the “CO₂ Zero Action,” which is our basic initiative that has been conducted at all worksites so far, effective specific technologies and activities are summarized in the “Action List,” and the materials, products and technologies used are explained in an easy-to-understand manner with photographs. In addition, the Company has established an award system for activities aimed at achieving the Environmental Targets. Through this system we evaluate activities to reduce environmental impact, which serves as a model for other divisions, and we work to raise employees’ environmental awareness.

Disclosure of Information on Environmental Initiatives

Taisei Corporation strives to improve its environmental performance by steadily carrying out activities based on its Environmental Policy, and by actively disclosing information through the Company's website, the integrated report, and other means. We strive to increase the trust of our stakeholders, and deliver value to them and create sustainable business opportunities. In July 2020, the Company agreed with TCFD and decided to actively disclose information on the impact of climate change on its business activities.

	FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
At construction stage: Reduction rate of CO ₂ emissions per construction cost (intensity)*1	28.9%	26%	32.0%	27%
At construction stage: Reduction rate of total CO ₂ emissions*1	44.7%	51%	43.7%	52%
At building operation stage: Reduction rate of estimated CO ₂ emissions*1,2	40.2%	39%	39.5%	40%
Final disposal rate of construction wastes	3.4%	3.4%	3.9%	3.4%
Number of proposals and deployment of biodiversity-related technologies	35 projects	30 projects	46 projects	30 projects
Number of environmental accidents	0 cases	0 cases	1 cases	0 cases

● KPIs: Key performance indicators ● Responsible department: Environment Division (Environmental accidents: Safe Division)
*1 Compared to FY1990 (a base year for emissions targets)
*2 Including dissemination and promotion of ZEB.

ISO14001

An international standard for environmental management systems. Since 1998, the Company has acquired certification on a company-wide basis (Head Office and 13 branch offices).

TCFD

Task Force on Climate-Related Financial Disclosures

TAISEI Sustainable Action (TSA)

Company-wide activities to reduce environmental impact including fuel-efficient driving of heavy machinery and vehicles, use of hybrid heavy machinery and renewable energy, development of a wellness-conscious greening environment, paperless meetings, and use of LEDs for temporary lighting.

CO₂ Zero Action

An initiative to reduce environmental impact undertaken by all worksites. There are seven actions, including eco-driving of heavy machinery and vehicles, inspection and maintenance, and controlling the temperature setting of air conditioners.

Environmental Target
<https://www.aisei.co.jp/english/profile/philosophy/policies/>

Materiality ①

Realization of a Sustainable and Environmentally Friendly Society

For Realization of Low Carbon Society

Related SDGs

7 9 11 13

Green infrastructure

Initiatives to take advantage of natural environments' various functions in both hard and soft aspects of social capital development and land utilization for creating sustainable, attractive national land or regions.

As measures to cope with climate change, there are measures to improve ground surface coverage by optimizing land management, conserving green spaces, and promoting greening; measures for CO₂ sinks by utilizing green spaces, seaweed beds, etc.; measures to store and infiltrate rainwater by utilizing soil, permeable pavement, etc.; and measures to mitigate heat by utilizing the evapotranspiration effect of planting.

Risks and Opportunities

For the construction industry, rising temperatures in recent years, large-scale typhoons, and disasters caused by extremely concentrated heavy rain pose risk factors such as interruptions and delays in construction work. On the other hand, increased demand for net Zero Energy Buildings (ZEB), which is a measure to mitigate climate change, will lead to the creation of opportunities for orders. In the field of renewable energy, Taisei Corporation is working on ZEB and developing technologies for floating offshore wind power generation facilities. In addition, we consider the **green infrastructure** promoted by the Ministry of Land, Infrastructure, Transport and Tourism as a means of mitigating and adapting to climate change as one of the opportunities to receive orders through our market expansion aimed at strengthening infrastructure, and we are promoting relevant technology development and design proposals.

Achievements in Recent Years and Future Initiatives

SBT Certification and Medium- to Long-Term Targets

The 2030 reduction target of greenhouse gas emissions has been certified as Science Based Targets (SBT) by the international initiative on the reduction of greenhouse gas emissions. (See p.29)

[Taisei Corporation's SBT per scope]

- Scope 1: Direct emissions associated with fuel use for heavy machinery and vehicles at construction worksites
- Scope 2: Indirect emissions associated with electricity use at construction worksites
Reduce greenhouse gas emissions (Scope 1 + Scope 2) by 26% from FY2013 levels by 2030
- Scope 3: Indirect emissions associated with energy use during the operational phase of the building delivered
Reduce greenhouse gas emissions by 25% from FY 2013 levels by 2030



ZEB Ready

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 reduction of standard primary energy consumption volume by 50% or more (excluding renewable energy).

Acquired ZEB Ready Certification for the First Time in Japan as a Temporary Worksite Office

In order to further promote energy conservation at temporary worksites, we obtained **ZEB Ready** certification for the first time in Japan for two advanced environment-conscious worksite offices. The main feature of this initiative is that the combination of highly versatile equipment and materials meets the ZEB certification specifications. These specifications are easy to install in temporary offices, which are often covered by lease contracts. By presenting them as a standard model of a worksite office in the near future, this initiative aims to spread energy-saving worksites throughout the industry.



Akasaka Junior High School, etc., Maintenance Work Worksite Office
*Our Taisei Advanced Center of Technology ZEB Demonstration Building "Human-Space Lab" also obtained BELS and WELL certifications. (See p.21)

Topic ●



Signing ceremony at the French Embassy in Japan

Memorandum of Understanding Signed for Joint Development of Floating Offshore Wind Facilities

We signed a memorandum of understanding with French company Ideol SA on the development and market development of floating foundations for concrete floating offshore wind power generation facilities. It is said that the potential of floating offshore wind power generation in Japanese sea areas is approximately three times larger than that of bottom-fixed wind power generation. Going forward, we will accelerate the introduction of concrete floating offshore wind power generation through cooperation with the company, aiming to develop markets in Japanese sea areas.

For Realization of a Recycling Oriented Society

Risks and Opportunities

Although it is important to control the quality, delivery time, and cost of materials and equipment used in construction work, there is a growing need to promote sustainable procurement throughout the supply chain, such as measures to deal with the problem of disposable plastics and other natural environmental pollution caused by waste, resource conservation, and the use of materials that can be recycled and reused.

At Taisei Corporation, we are working on waste management and the recycling of resources at worksites, adopting materials and equipment that take into account the lifecycle from the design stage based on green procurement, and providing technologies to extend the life of buildings.

Achievements in Recent Years and Future Initiatives

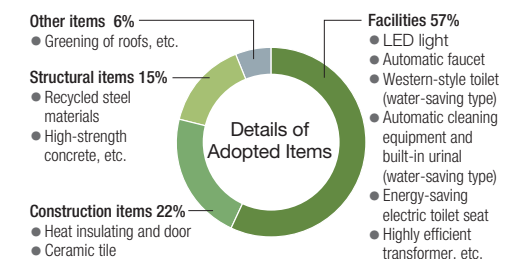
Utilizing the Green Procurement Guideline in Cooperation with Suppliers

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 impact during the design, construction, operation and demolition of structures.

By referring to and reflecting the content of the Green Purchase Law, we review the subject items every year. In FY2019, 93 items were included in the guideline.

Through CSR procurement, we are also promoting environmental consideration for procurement when we work with suppliers.

» See CSR Procurement Guidelines on p.37

Adoption of Green Procurement Item
(Construction design phase: non-consolidated)

Effective Use of Waste Plastics

Construction materials, packaging materials, and other waste plastics are sorted thoroughly and properly recycled by specialized disposal companies. Large foamed materials 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 artificial recycled wood products.

Taisei Corporation supports the **Plastics Smart** Campaign by the Ministry of the Environment.

Recycling of Resources and Effective Utilization of Rainwater 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. Taisei Corporation strives to reduce the amount of final disposal in the amount of waste generated (final disposal ratio) by strict sorting, proper recycling, and intermediate treatment.

As part of our efforts to recycle water resources, we are implementing "utilization of rainwater and spring water on site" as a basic activity to reduce the environmental impact of our worksites. The water is stored in sedimentation tanks and water storage tanks, and is effectively used as a measure against heavy rain and dust on site.

Related SDGs

11 12 17



Plastics Smart

A campaign by the Ministry of the Environment to promote "a smart way of dealing with plastic" nationwide, including thorough elimination of littering and illegal dumping, and thorough reduction of single-use plastic and sorting and collection.



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

Materiality ①

Realization of a Sustainable and Environmentally Friendly Society

For Realization of a Nature Co-Existing Society

Related SDGs

11 14 15 17

**Declaration of Taisei Corporation on Biodiversity Preservation**<https://www.taisei.co.jp/english/profile/philosophy/policies/>**Concierge Series****Ikimono Concierge**

Our unique tool for predicting and identifying animals that can be attracted by a planning site

Mori Concierge

Our unique tool enabling the selection of plants that can adapt to the environment of a planning site

Mizube Concierge

Our tool for developing a unique plan to conserve and compensate waterside rare flora and fauna whose ecosystems may be affected by construction



Mizube Concierge through the use of tablets

Volunteer activities to make dormouse nest boxes

Volunteer activities to create nest boxes for dormice, a rare animal species, in cooperation with the Animal-pathway & Wildlife Association.

Tokyo Greenship Action

Participated in the "Tokyo Greenship Action," a nature conservation program hosted by Tokyo Metropolitan Government.

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.

Achievements in Recent Years and Future Initiatives

Declaration of Taisei Corporation on Biodiversity Preservation

Taisei Corporation has agreed to the Declaration of Biodiversity by Keidanren, and formulated the "Declaration of Taisei Corporation on Biodiversity Preservation" in September 2010, in order to clarify its corporate stance on the conservation and creation of biodiversity.

Biodiversity-Conscious Investigation, Planning, Construction and Monitoring

We are engaged in the conservation and regeneration of the natural environment with Ecological Planning, our proprietary environmental planning tactics. We improve quality of social capital by investigating and analyzing not only planned sites but also their surrounding environments to carry out construction under a plan that takes into account regional characteristics. We conduct monitoring after completion and learn from feedback to deepen our technology. As the third round of the "Concierge Series," we have newly designed "Mizube Concierge" to apply to a project that calls for conservation of rare flora and fauna, striving to contribute to the realization of a society that co-exist with nature.

Improvement of Facility Value through Biodiversity Conservation and Creation

An environmental certification that proves natural environmental consciousness of a facility increases the value of the facility and appeals to customers as proof of an environmentally conscious company. Taisei Corporation takes advantage as a comprehensive constructor having the integrated capabilities from facility planning to design and construction, through which it supports customers' environmental activity such as biodiversity conservation and creation, including the acquisition of environmental certifications.

At the stage of planning and design of the ESR Amagasaki Distribution Center (ordered by ESR), a logistic facility located at the Osaka bay-side area, for example, an outer green area was planned, designed, and constructed by Taisei Corporation to help improve the biodiversity without affecting capabilities as a logistics facility. The facility earned the "Business Innovation in Harmony with Nature and Community" certification from the Association for Business Innovation in Harmony with Nature and Community (ABINC) as a logistics facility that respects biodiversity.

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

Dormouse nest boxes made in volunteer activities

Our approach to enhancing biodiversity is guided by Environmental Policy and Declaration of Biodiversity Preservation, and demonstrated as a company-wide activity to reduce environmental impact under our unique biodiversity conservation guidelines, etc. Not limited to biodiversity consideration in the business, our efforts include offering volunteer opportunities for the Group employees and their families to **make nest boxes for dormice** as part of natural environmental education through forest conservation activity, and to participate in **Tokyo Greenship Action** for more than ten years.

For Realization of a Safety Secured Society

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.

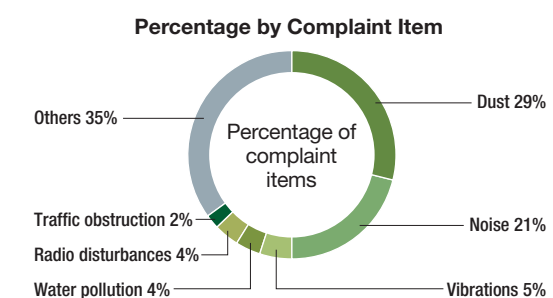
Achievements in Recent Years and Future Initiatives

Risk Measures at Worksite

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. Regarding the management of water resources, Taisei Corporation is working to "prevent water pollution caused by construction wastewater, and the like" as a management priority.

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 environment management system (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.

**Technical Case Study ●****Developed a Cutting-Edge Method of Demolishing Skyscrapers Known as "Tecolep-Light system"**

We successfully developed "Tecolep-Light system," a cutting-edge method of demolishing skyscrapers. The Tecolep system is an environmentally-conscious method of demolishing skyscrapers by repeatedly jacking down from the upper level, while minimizing dust, noise, and other particles, etc. which may negatively affect the surrounding environment. Unitized lightweight roof structures can reduce the time to create a closed space, allowing demolition work to be completed in a shorter period of time.

Related SDGs

6 11 12

Materiality②

Ensuring Quality and Improving Technology

Related SDGs



TAISEI QUALITY®

Our Group's activities for quality promotion are summarized into TAISEI QUALITY®. The Taisei Group employees are proud to dedicate to quality, and strive to earn the trust of customers and society.

T-CIM®

T-CIM® is our proprietary system that integrates a construction system utilizing Information and Communications Technology CIM (Construction Information Modeling) proposed by the Ministry of Land, Infrastructure, Transport and Tourism, with attribute information associated with a 3D model of each construction project.

BIM

BIM, an abbreviation for Building Information Modeling, 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.

Field Pad®

Field Pad® is used for overall construction management operation including the storing and reporting of construction progress photos at worksites, contributing to shortening work time, and increasing productivity.

Field Pad®



Policy and Management

Quality Policy and Organization

In light of the Taisei Group's mission to provide customers and society with quality construction products and related services efficiently and continuously, the Taisei Group sets forth "Pursuing customer satisfaction" and "Ensuring and improving safety and quality" as Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. We promote efficient production activity in line with Quality Policy along with Individual Policies established for each division. Under the slogan **TAISEI QUALITY®**, the Group as a whole strives to provide customers with safe and secure construction products and after-sales service under a quality control system.

Each of the divisions and the Group companies has obtained ISO9001 and implements certified quality management. The Civil Engineering Division and Building Construction Division have prepared their own manuals and action guidelines, operate their own management systems, and conduct customer satisfaction surveys after delivery.



Quality Policy • ISO acquisition status

<https://www.taisei.co.jp/english/csr/performance/iso26000/consumer/>

Achievements in Recent Years and Future Initiatives

Implementation of Customer Satisfaction Surveys

The results of the customer satisfaction survey of FY2019 showed a satisfaction rate of 98% (96% in FY2018) and 88% (92% in FY2018) for the Civil Engineering Division and the Building Construction Division, respectively. We will keep sharing research results, and eliminate complaints through cooperation between the Head Office and branches.

Leveraging ICT 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®." We are striving to implement this initiative company-wide, with approximately 80 employees responsible for its promotion assigned to the Head Office and branches. Apart from utilizing **T-CIM®** and **BIM** for managing information obtained through planning, design, construction and operation, we make most of ICT as a measure to raise production capacity at construction worksites in the most efficient and immediate manner.

Specifically, mainly at worksites, we steadily introduced a network called "Worksite Net," which facilitates information sharing between personnel involved in projects, both internal and external, as well as **Field Pad®**, which helps improve the efficiency of operations such as viewing and recording construction management information. As a result of our continuous efforts to improve productivity, the Group's productivity (net sales/number of employees) in FY2019 was 117*1 (up from 111 in FY2018).

New Technology Contributing to SDGs
p.22

KPIs		FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
	CE: Customer Satisfaction	96%	100%	98%	100%
	BC: Customer Satisfaction	92%	100%	88%	100%
	Productivity (Net sales/number of employees)*	111	110	117	110

● CE: Civil Engineering / BC: Building Construction ● Responsible department: Civil Engineering Division / Building Construction Division
*The actual result for FY2016 is set at 100. 110 is the target for the end of FY2020.

Materiality③

Technical Development for Realizing a Sustainable Society

Policy and Management

Innovation Management

The Group's source of value creation is technology and, therefore, the Group's business is founded on research and development and intellectual property activities. As declared in the section "Striving to create value" of the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, we strive to create value by "always mobilizing our technology and know-how as well as through technological innovation and ingenuity" and "always looking ahead and advancing knowledge and skills." Our research and development is focused on themes selected in terms of contributions to SDGs, under the leadership of the Technology Committee chaired by the President, centering on **renewal and replacement**, nuclear power, environment, engineering, and urban development.

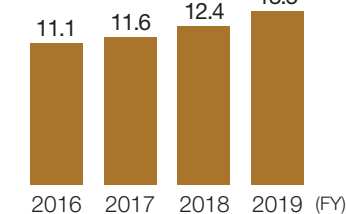
Furthermore, in order to enhance the intellectual property capabilities of Taisei Corporation and its Group companies, we have set forth "Striving to create value" under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole and established the Policy on Intellectual Property, while steadily promoting intellectual property strategies by creating, protecting and utilizing intellectual property, reducing the risks associated with intellectual property, and taking advantage of our brand. 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 preparing a database for managing patents and building a search function for our own patents.

New Technology Contributing to SDGs
pp.21-22Policy on Intellectual Property
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Achievements in Recent Years and Future Initiatives

Research and Development Activity

In order to respond to more sophisticated and diversified technical needs and increase the efficiency of investment into technological development, we actively promote external alliances with universities and other research institutes, companies of the same and different industries, etc. as well as **open innovation** activities.

Research and Development
Expenditure (Consolidation)
(Billions of Yen)

Patent Ownership Status

To indirectly support cross-sectorial technologies from the aspect of intellectual property, we strategically and actively acquired and utilized intellectual property rights, which led us to the No. 1 position in the 2019 patent assets size ranking in the general construction industry issued by Patent Result Co., Ltd., a comprehensive evaluation of patent assets holdings in both quality and quantity. Besides technology related to the projects of the New National Stadium Development Project (2nd Period), we also further strengthened the focus area selected by the Medium-term Business Plan among our continuous research and development of "differentiation technology" and "labor-saving construction technology." As a result, in the two categories, we applied for 119 and 43 patents in total respectively during the last five years from FY2015 to FY2019.

KPIs		FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
	Number of patent rights registered	250 cases	180 cases	169 cases	180 cases
	Number of patent applications filed	213 cases	230 cases	188 cases	230 cases

● Responsible department: Taisei Advanced Center of Technology

Related SDGs

Renewal and
Replacement

Renewal and Replacement refers to a business area where we improve value to buildings that have physically deteriorated over time by repairing and renewing their attractiveness, and adding the latest technology and functions by proposing energy-saving ideas, etc. according to the phase (condition) of buildings.

Open Innovation

Open Innovation refers to a methodology for innovation by mobilizing cross-organizational knowledge and technology.

Materiality ④

Promotion of Supply Chain Management

Related SDGs

Procurement
Guideline (Summary)

- Compliance with laws, regulations and public morals
 - Impartial and fair transactions
 - Respect for human rights
 - Promotion of safety and hygiene
 - Environment protection activities*
 - Assurance and improvement of safety and quality
 - Information disclosure
 - Reinforcement of information security
 - Social contribution activities
 - Business continuity at the time of a disaster
 - Promotion of CSR procurement
- *See Green Procurement Guideline on p.32

Policy and Management

CSR—Policy and System of Procurement

We strive for “promoting partnerships with subcontractors and suppliers” and “ensuring fair business transactions” as stated in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, along with the Procurement Policy established in reference to ISO26000, an international standard providing guidelines for social responsibility. **The CSR Procurement Guidelines** provide matters to be implemented by both Taisei Corporation and suppliers to advance CSR procurement within the entire supply chain. The effort to raise awareness of CSR procurement includes holding educational training and seminars tailored to individual responsibility levels such as officers and employees at all levels, branch managers, procurement managers, worksite managers, and overseas worksites, etc.; and providing suppliers with opportunities to participate in meetings with branch managers, e-learning, on-site surveys and questionnaires, etc., among other various activities. Plans and results of these activities and future developments are discussed at the CSR Procurement Committee composed of responsible personnel from relevant divisions including Civil Engineering, Building Construction, Procurement, and Safety Administration.

Procurement Policy
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Achievements in Recent Years and Future Initiatives

CSR—Activity Survey

We conduct biennial CSR procurement questionnaires on compliance with our procurement guidelines. In response to the recent social requirement for human right and environmental issues, we have also revised the procurement guidelines in 2020.

In 2020, we will carry out a CSR procurement questionnaire and a survey on the systems for managing foreign technical interns as we did in 2018. By expanding the scope of survey participants and providing additional information beneficial to the activity of each of these companies, we seek further cooperation from not only primary suppliers but the entire supply chain. When the questionnaire is completed, we will also conduct on-site supplier surveys across the country.

Supply chain monitoring result in FY2018	
Number of major suppliers surveyed in FY2018:	1,060
Percentage of companies surveyed on a contract value basis:	approx. 49%
Number of responding companies:	841
Response rate:	79.3%

Major suppliers

Partner companies primarily including the members of Taisei Corporation's proprietary organization for core subcontractors (Soyukai)



Promote CSR procurement
https://www.taisei.co.jp/english/csr/performance/iso26000/fair_operating/

Efforts to Promote Sustainable Procurement of Materials and Equipment

We conducted a traceability survey*1 of suppliers of procured materials and equipment to seek their understanding and cooperation for our CSR procurement initiatives. Particularly, in an effort to align the supply chain of wooden materials of wooden frames and furniture with what is suggested by NGOs and groups on the issues concerning human rights of native people of deforested areas in Southeast Asia, we visited suppliers, wholesalers, and general trading companies to discuss the current situation and the future use of domestic timber and certified timber.

Educational Activities Overseas

We conducted CSR procurement meetings with an emphasis on forced labor, child labor, and other human right violations, for our local worksites, local affiliates, and local suppliers in Taiwan (2015), Singapore (2017), Vietnam (2018) and Myanmar (2019). Meetings will also be held in 2020.



Overseas CSR Procurement Seminar (Myanmar)

KPIs	Average implementation rate of CSR activities by suppliers	FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
		74.2%	—*2	—*2	75%

● Responsible department: Corporate Communication Department (CSR Promotion Section)

*1 To make a production history and distribution channel traceable.

*2 Questionnaire survey for suppliers in FY2019 was absent due to biennial implementation.

Materiality ⑤

Thorough Management of Occupational Health and Safety

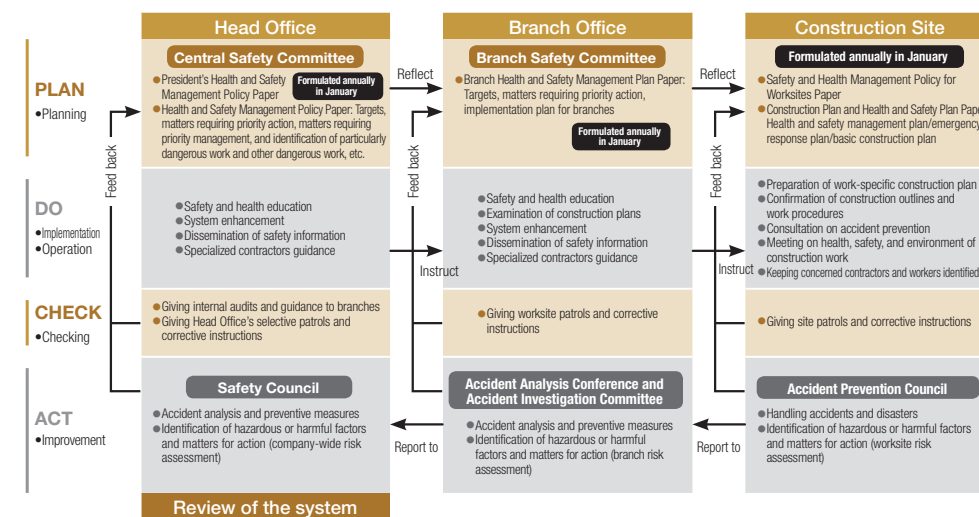
Policy and Management

Health and Safety Policy and System

Taisei Corporation's safety-first policy is expressly stated in the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole that “We strive to maintain a safe and hygienic work environment and prevent occupational accidents.” Based on this, our proposal to eliminate accidents and disasters and prevent disasters involving third parties is organized in the form of **TAISEI OHSMS**, a system to manage occupational health and safety. TAISEI OHSMS is operated in light of the Health and Safety Policy announced by the President to achieve zero fatal accidents and zero serious accidents, combining day-to-day efforts of not only our employees but also the Group companies and partners as a whole to make safety concrete.

In addition, we have established the Central Safety Committee where safety management, prevention of environmental accidents, as well as issues related to the safety, health and environment of specialized contractors are discussed and reported to the President. A Branch Safety Committee, composed of branch supervisory health and safety managers, employees, and labor unions is also held to communicate with labor unions periodically.

Conceptual Diagram of TAISEI OHSMS (Occupational Health and Safety Management System)



*Risk assessment and a PDCA cycle are implemented to improve health and safety standards constantly.

Safety and Health Policy
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

Achievements in Recent Years and Future Initiatives

Improvement of Health and Safety Standards

In 2019, we experienced 77 accidents accompanied by lost worktime, and 60 accidents accompanied by four or more lost workdays, resulting in an incident rate of 0.62.

In addition, awards were granted to encourage improving the quality of health and safety, including the **President's Award**, which was granted in FY2019 to three worksites for excellence in workplace health and safety.

For thorough health and safety management based on TAISEI OHSMS, we will continue to conduct worksite patrols and safety education for employees and on-site workers, among various other measures, in 2020.

President's Award (Ministry of Health, Labour and Welfare Award-Winning Worksites)

- Relocation and Construction for the Obihiro Kosei Hospital (Hokkaido)
- Construction for the Facilities of Akasaka 9-chome North Area Category I Urban Redevelopment Project
- (Tentative Name) Construction for the New Head Office Building of Kinki Sangyo Kumiai (Osaka)

KPIs	Number of fatal accidents	FY2018	FY2019 targets	FY2019	FY2020 targets
		2 cases	0 cases	4 cases	0 cases

● Responsible department: Safety Administration Division

Related SDGs



TAISEI OHSMS

Our proprietary occupational health and safety management system developed in reference to the guidelines issued by the ILO and the Ministry of Health, Labour and Welfare.



Improving Health and Safety Standards

<https://www.taisei.co.jp/english/csr/performance/iso26000/labor/>

President's Award

We have established several award systems including the President's Award granted to business sites, specialized contractors, foremen's associations and Group companies, as well as worksites that have won the Ministry of Health, Labour and Welfare Award for excellence in workplace health and safety.

Materiality⑥
Cultivation of Technical Staff and Securing Human Resources

Related SDGs



Construction Career Up System (CCUS)

An initiative to enhance the coordination with cooperating companies and their organizations to visualize and share skills, experience, qualifications, and the status of enrollment in social insurance programs, etc., of each of the skilled construction workers under uniform rules of the industry.

Kensetsu Komachi

Kensetsu Komachi is a nickname for all women who work for the construction industry. The opportunities for work extend from engineers and specialists who work at construction sites and designers of civil engineering structures and buildings, to administrative staff and sales staff who support the operation of business, researchers, and other positions.



Kensetsu Komachi Empowerment Award

The Kensetsu Komachi Empowerment Award was established by Nikkenren with the objective of hiring and retaining workers, advancing diversity, and renewing the image of the construction industry for greater female participation in the industry.


Policy and Management

Promotion of Work Style Reform

Taisei Corporation is committed to managing working hours properly and addressing long working hours. In 2018, we formulated Roadmap to 2024 for “addressing long working hours” with annual targets of “appropriate overtime working hours from a health point of view,” “regular leave and compensatory leave,” and “closures of worksites,” which are expressly stated in the Medium-term Business Plan and promoted under the leadership of internal consultation bodies including the “Committee for the Reduction of Working Hours” and “Work Style Reform Conference.” As for the closures of worksites on weekends, industry-wide efforts are being made by the members of the Japan Federation of Construction Contractors (hereinafter referred to as Nikkenren), including Taisei Corporation.

As an initiative of both the public and private sectors, organizations including the Ministry of Land, Infrastructure, Transport and Tourism, Nikkenren, Zenken, and the National Federation of Construction Workers' Union jointly promote the widespread of **Construction Career Up System (CCUS)** as an important infrastructure to obtain and retain future workers and improve the work conditions of skilled construction workers.

Furthermore, as part of the promotion of female participation at construction sites, we support Nikkenren's **Kensetsu Komachi** activity, which is an effort to increase the participation of female engineers. Since 2014, Civil Engineering and Building Construction divisions have also offered female engineers opportunities for dialogue with executives to reflect women's viewpoints more aggressively, including building a work environment to be more female gender-friendly. We believe this will create new value.

 **Creating a Pleasant Working Environment**
https://www.taisei.co.jp/about_us/csr/performance/iso26000/labor/

Achievements in Recent Years and Future Initiatives

Efforts to Address Long Working Hours

The number of employees who acquired 104 days of “regular leave and compensatory leave” a year (eight leaves in four weeks) increased to 91.8% (up from 91.1% in the previous fiscal year). In addition, six days of worksite closure in four weeks was achieved by 73.5% of the construction sites and 75.8% of the civil engineering sites. In order to change employees' awareness and behavior, all employees are expected to discuss and carry out practical measures according to the conditions of individual workplace situations. Activities that positively contributed to addressing long working hours are shared across Group companies and continuously promoted to maintain momentum.

Promotion of Construction Career Up System (CCUS)

As a result of our efforts to promote CCUS, the platform has been introduced at 75% of our worksites (on a construction contract value basis) as of the end of March 2020, by increasing the coverage from the initial plan to those with ¥100 million or more construction contract value, in principle. We will continue promoting CCUS and encourage our cooperating companies to register more service providers and skilled persons.

Promoting Female Participation through Kensetsu Komachi

Our worksite was granted the best award and the special award of the **Kensetsu Komachi Empowerment Award** in FY2019. We have shared this successful improvement case study with other construction worksites while continuing to build a work environment where women can demonstrate their abilities. The number of female new graduates and mid-career hires reached 698, up from the previous year by 35.

		FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
KPIs	Average overtime hours per month*1	37.8 hours	35 hours	39.0 hours	35 hours
	Worksite registration rate of Construction Career Up System*2	—	60% or more	75%	80% or more
	Number of female engineers*1	663 persons	690 persons	698 persons	740 persons

● Responsible department:
*1 Human Resources Department
*2 Civil Engineering Division / Building Construction Division

Materiality⑦
Realization of an Attractive Working Environment That Is Good to Work in

Policy and Management

Promotion of Diversity and Inclusivity

Determined to “ensure basic human rights and diversity” in our Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and “respect for diversity” in the corporate philosophy expressed as the **Taisei Spirit**, we are committed to nurturing a culture that seeks to achieve diversity and inclusion. Moreover, we clearly referred to this as a management challenge in the Medium-term Business Plan (FY2018–FY2020) and established the Human Rights Policy aiming to improve the workplace environment where diversity in religion, gender, age, nationality, disabilities, value, work style and career, etc., are respected and people can exert their abilities.

 **Human Rights Policy**
https://www.taisei.co.jp/english/csr/performance/iso26000/human_rights/

Achievements in Recent Years and Future Initiatives

Promotion of Women's Participation and Advancement

The number of participants in Female Leader Training, an internal program conducted as a measure to increase female participation, reached 188, and the number of participants in the Diversity Management Seminar targeting senior personnel reached 531. In July 2020, Taisei Corporation agreed with the Cabinet Office's Declaration on Action by “A Group of Male Leaders Who Will Create a Society in which Women Shine.” We will continue to focus on promoting female participation.

Support the Balance between Work and Family/Childcare

Taisei Corporation has put in place a variety of systems to help employees raise children in a better work environment, including the Childcare System and Flexible Working Hours for Employees During Childcare. In recent years, our focus has expanded to supporting male employees during childcare. The percentage of male employees who took childcare leave reached 100% and the average number of leaves taken was 7.9 days (as of the end of March 2020).

Recruitment and Retainment of Human Resources

We provide work descriptions in detail during the recruitment process to avoid mismatching. For young new employees, we offer the opportunity for private interviews after joining the Company, including a trial of a mentor system in some cases, while conducting a biennial employee satisfaction survey (satisfaction rate of 80.8% in FY2019) for further employee satisfaction.

		FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
KPIs	Number of female managers	167 persons	180 persons	197 persons	230 persons
	Turnover rate of employees within 3 years of hiring	5.4%	4%	7.4%	4%
	Rate of taking childcare leave by males	94.2%	100%	100%	100%

● Responsible department: Human Resources Department

Materiality⑧
Promotion of Compliance

See Risk management/Compliance on pp.53-56

		FY2018 results	FY2019 targets	FY2019 results	FY2020 targets
KPIs	Number of major information security accidents*1	0 cases	0 cases	0 cases	0 cases
	Response rate of Corporate Ethics Helpline and Group Helpline*2	100%	100%	100%	100%

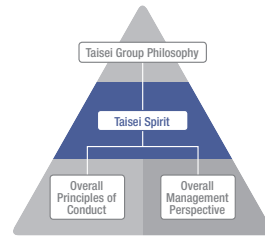
● Responsible department:
*1 Information Planning Department
*2 General Affairs Department

Related SDGs



Taisei Spirit

Key concepts that all Taisei Group officers and employees must adhere to in order to pursue and realize the Taisei Group Philosophy



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.

Related SDGs



Corporate Governance

Our Basic Approach to Corporate Governance

The Company aims to achieve sustainable development and improvement in the medium- to long-term value of the Company and its subsidiaries and affiliates (collectively, the Taisei Group) in accordance with the philosophy of the Taisei Group, being “to create a vibrant environment for all members of society” (the Taisei Group Philosophy) and the so-called “Taisei Spirit,” which embodies our commitment to “Active and Transparent Culture,” “Value Creation” and “Evolution of Tradition.”

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.

Please refer to our “Fundamental Corporate Governance Policy” on this website, which was established based on the above basic approach, responding to each principle of the Corporate Governance Code.

 **Fundamental Corporate Governance Policy**
<https://www.taisei.co.jp/english/profile/governance/>

Main History of Corporate Governance at Taisei Corporation

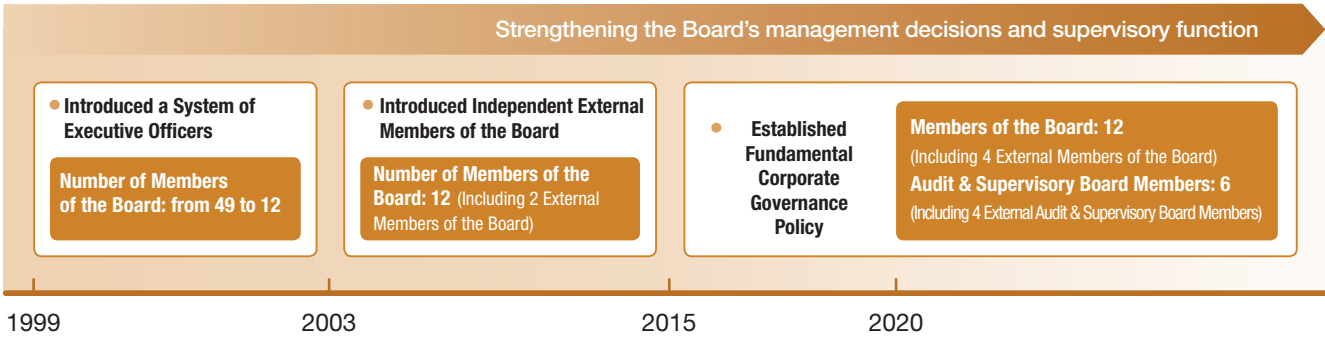
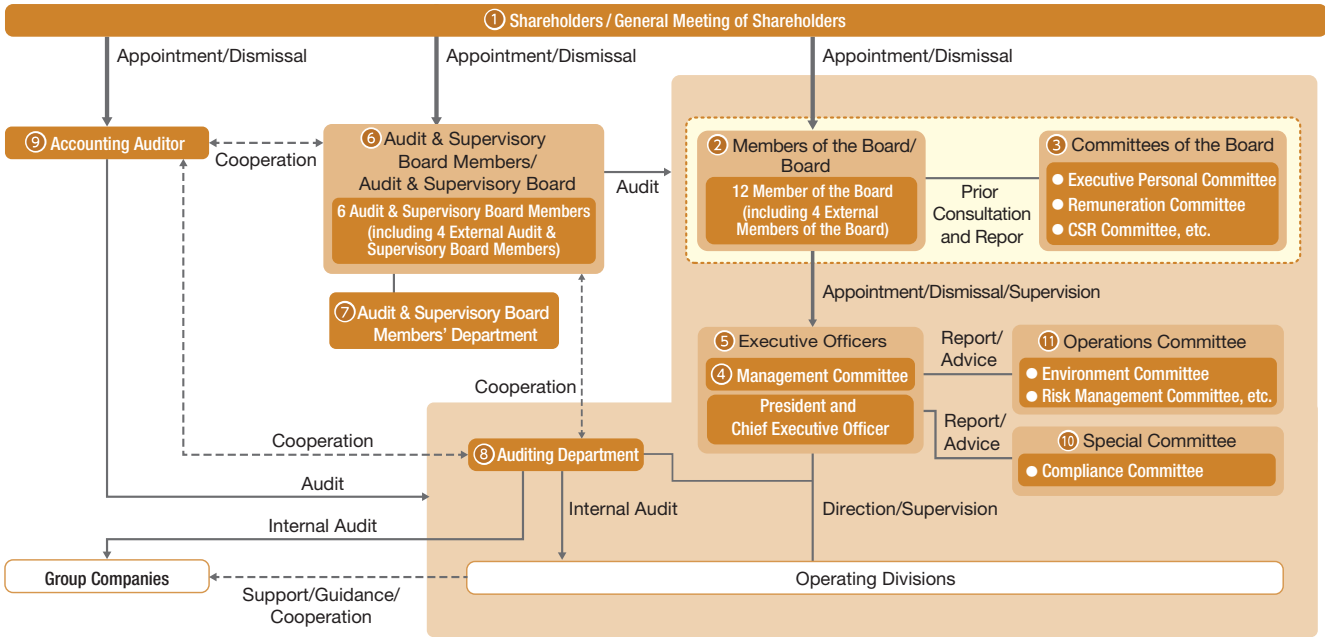


Chart of Corporate Governance System



① Shareholders / General Meeting of Shareholders
(Held on June 24, 2020)

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

② Members of the Board / Board
(Convened 13 times in FY2019)

In order to facilitate the growth of the Company in a sustainable manner and improve its corporate value in the medium to long term, the Board shall appropriately fulfill its roles and responsibilities mainly in (1) indicating the major direction of its corporate strategy, etc., (2) creating an environment that supports appropriate risk-taking by senior management, and (3) conducting highly effective supervision of management and directors from an independent and objective standpoint.

The Board is composed of 12 Members of the Board (eight Internal Members of the Board and four External Members of the Board).

Nominations of candidates for Members of the Board are determined by the Board after deliberation by the Executive Personnel Committee established within the Board.

In order to ensure the effectiveness of independent and objective supervision of business execution, at least two Members of the Board shall be appointed as Independent External Members of the Board, and efforts are made to increase the number to at least one third.

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 the strengthening of the supervision of management.

③ Committees of the Board

For the purpose of invigorating deliberations by the Board, the Company has established committees such as the Executive Personnel Committee, the Remuneration Committee, and the CSR Committee within the Board. The major members of each committee are Independent External Members of the Board to clarify independence and objectivity.

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)	Four Internal Members of the Board Four External Members of the Board	Four Internal Members of the Board Four External Members of the Board
Number of meetings convened in FY2019	Eight times	Three times

④ Management Committees

The Management Committee has been established as a decision-making body for business execution.

⑤ Executive Officers

For the purpose of enabling agile business execution, the Company has adopts the executive officer system.

⑥ Audit & Supervisory Board
(Convened 14 times in FY2019)

As an organization that is independent from the Members of the Board and the operating divisions, the Audit & Supervisory Board Members (two internal and four external members) attend Members of the Board meetings and listen to reports on the business conditions to audit the execution of duties by the Members of the Board in accordance with the audit policy established by the Audit & Supervisory Board.

The Audit & Supervisory Board Members and the Representative Director, the Audit & Supervisory Board and the Accounting Auditor hold regular meetings to communicate with each other and to improve the effectiveness of audits.

⑦ Audit & Supervisory Board Members' Department

In order to assist 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 Audit & Supervisory Board Members with the collection of appropriate information and other tasks.

⑧ Auditing Department

Based on the annual auditing plan, the Auditing Department 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.

⑨ 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.

⑩ Special Committee

To reinforce the promotion of compliance, the Company has set up the Compliance Committee chaired by an external expert as a Special Committee that responds to consultations with the President. (see p. 54)

⑪ Operations Committees

The Company has established operations committees such as the Environmental Committee and the Risk Management Committee to deliberate on matters related to the consultation of the management meeting and the President.

Corporate Governance

Promotion of Internal Controls

At Taisei Corporation, the Board established the Fundamental Policy to Enhance Operational Compliance Systems in May 2006 (revised in April 2020) to ensure systems for conducting operations in an appropriate and efficient manner as a Group and the reliability of financial reporting. Through these systems, we deliver enhanced risk management and compliance. The Company implements various measures, including training relating to legal compliance with the Antimonopoly Act with the participation of outside lawyers, mainly for officers and employees in the sales division.

 **Fundamental Policy to Enhance Operational Compliance Systems**
<https://www.aisei.co.jp/english/profile/governance/>

Ensuring the 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 Auditing 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 Executive Training

As necessary training for Members of the Board and Audit & Supervisory Board Members in order to fulfill the function of supervising and auditing the Company's businesses, training on related laws and regulations, the articles of incorporation, and internal rules that stipulate the Company's important policies are provided at the time of appointment.

In addition to the training described above, we also continue to provide Members of the Board and Audit & Supervisory Board Members with opportunities to receive training from third-party organizations.

When necessary, we hold worksite visit tours and other events for External Members of the Board and External Audit & Supervisory Board Members to deepen their understanding of the Group and business activities.

Accountability

Taisei Corporation established the Information Disclosure Policy, 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 environmental, social and governance (ESG) initiatives in the shareholder newsletter in order to further deepen our shareholders' understanding of our corporate activities.

 **Information Disclosure Policy/ IR Policy**
<https://www.aisei.co.jp/english/profile/philosophy/policies/>

Effectiveness of the Board

At Taisei Corporation, we analyze and evaluate the effectiveness of the Board on the whole every year.

Since FY2020, the Company has reviewed its governance structure and reexamined the scope of the Board's business execution functions in order to revitalize and substantiate deliberations at the Board, and to further strengthen the oversight function. At the same time, the scope of authority delegated to management (execution side) has been expanded to speed up decision-making.

In FY2019, we analyzed and evaluated the effectiveness of the evaluation of the governance system review and expectations for the new system. Specifically, the Members of the Board and Audit & Supervisory Board Members conducted a self-evaluation, 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 governance system of the Company is functioning effectively, as seen in the fact that the governance system was strengthened through in-depth discussions among the relevant parties, and the high level of awareness of governance among executives is evident.

From the perspective of continuing to improve the effectiveness of the Board of the Company, recommendations that the operation of the Board should be continuously and flexibly reviewed as circumstances dictate, that information devices should be used to share information in a timely manner, that a concise, to-the-point document should be created, that discussion from a medium- to long-term perspective should be further enhanced, and that greater efforts should be made to fully utilize the new governance structure in order to strengthen competitiveness in a changing business environment were among other opinions noted.

The Company aims to further enhance the operation of the Board based on the results of the FY2019 evaluation.

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.

The remuneration for the Members of the Board has been determined based on a compensation system that reflects the performance of each member. The total amount of remuneration for the Members of the Board and the amount of remuneration by position were discussed at the Remuneration Committee, which carries out preliminary reviews ahead of the Board, held on June 10, 2020, and then determined at the Board meeting held on June 24, 2020.

Remuneration for the Audit & Supervisory Board Members is determined through discussions at the Audit & Supervisory Board.

(Performance-Linked Remuneration)

Remuneration for the Members of the Board of the Company consists of performance-linked remuneration set by position (including the position of Executive Officer when concurrently serving as Executive Officer) and the remuneration, etc., other than performance-linked remuneration, and the amount of remuneration is determined and promoted by position. The indicators associated with 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

Corporate Governance

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

(Millions of Yen)

Date of resolution by the Board	June 24, 2020		June 26, 2019 (Reference)	
Applicable period of remuneration	July 2020–June 2021		July 2019–June 2020	
Target or Result	Target	Results	Target	Results
Income before income taxes in the most recent business year	¥127,000	¥144,973	¥115,000	¥137,235
Total amount of bonuses for employees borne in the most recent business year	(Note)	29,903	(Note)	33,738
Total	(Note)	174,877	(Note)	170,973

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

(Stock Remuneration)

At the 160th Annual General Meeting of Shareholders held on June 24, 2020, the Company decided to introduce a performance-based stock remuneration plan “Board Benefit Trust (the Trust)” in order to further clarify the linkage between remuneration for Members of the Board, and the Company’s business performance and stock value as well as to encourage Members of the Board to contribute to medium- to long-term improvement in corporate performance and enhancement of corporate value by sharing not only the merit from the increased stock price but also the risk of the decreased stock price with the shareholders. The maximum amount that may be contributed to the Trust shall be the amount obtained by multiplying the number of business years pertaining to the applicable period by ¥100 million, and the maximum number of points granted shall be 35,000 points per business year.

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	11	378	304	682
Audit & Supervisory Board Members	4	65	—	65
Subtotal	15	444	304	748

Category	External 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	6	58	—	58
Audit & Supervisory Board Members	4	54	—	54
Subtotal	10	112	—	112

Category	Total amount			
	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	17	437	304	741
Audit & Supervisory Board Members	8	119	—	119
Total	25	556	304	860

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, etc. (Millions of Yen)	Officer classification	Company classification	Amount of remuneration on a consolidated basis, etc. by type (Millions of Yen)		
				Fixed remuneration	Performance-based remuneration	Stock remuneration
Takashi Yamauchi	123	Chairman, Representative Director	Reporting company	70	53	—
Yoshiyuki Murata	123	President, Representative Director*	Reporting company	70	53	—

* As of the submission date, the officer classification is classified as Vice Chairman, Representative Director.

The reasons for nomination as a candidate for External Member of the Board

Name	Independent Director	Reasons for appointment (significant concurrent positions as of June 24, 2020)	Term	Attendance at meetings in FY2019 Number of meetings attended/ total number of meetings
Atsuko Nishimura	Yes	Ms. Atsuko Nishimura has expressed useful opinions at the Board meetings based on her rich international perspective that she has developed through her experience as a diplomat, and is expected to contribute to the further improvement of corporate value over the medium to long term from a neutral standpoint, and to the strengthening of management supervision through decision-making on important matters such as election and dismissal of executive management and international business. ● Outside Director of INPEX CORPORATION	Three years	Attendance at the Board 13 out of 13 meetings
Takao Murakami	Yes	Mr. Takao Murakami has many years of experience as a director and corporate auditor at Sapporo Holdings Ltd. and several other companies. He can be expected to supervise management from an objective, neutral point of view, revitalize the Board’s meetings and contribute to further improvement of the value of the Company contribute to further improvement of the value of the Company. ● External Auditor of FUJIO FOOD SYSTEM Co., Ltd. ● External Member of the Board of Television Hokkaido Broadcasting Co., Ltd.	One year	Attendance at the Board 10 out of 10 meetings
Norio Otsuka	Yes	Mr. Norio Otsuka has a wealth of experience and broad insight into the management at NSK Ltd. and several other companies over many years. He can be expected to contribute to the revitalization of the Board meetings and further improvement of the value of the Company through decision-making on important matters such as election and dismissal of executive management and management strategy by making use of a wealth of experience in managing multiple companies amid a rapidly changing management environment. ● Outside Director of Idemitsu Kosan Co., Ltd. ● Outside Director of Sojitz Corporation	One year	Attendance at the Board 10 out of 10 meetings
Fumiya Kokubu	Yes	Mr. Fumiya Kokubu has a wealth of experience and broad insight into the management at NSK Ltd. and several other companies over many years. He can be expected to contribute to the revitalization of the Board meetings and further improvement of the value of the Company through decision-making on important matters such as election and dismissal of executive management and international business by making use of his broad knowledge based on international point of view as a former top executive of a general trading company. ● Chairman of the Board of Marubeni Corporation ● Outside Director of Honda Motor Co., Ltd.	One year	Attendance at the Board 9 out of 10 meetings

The reasons for nomination as a candidate for External Audit & Supervisory Board Member*

Name	Independent Director	Reasons for appointment (significant concurrent positions as of June 24, 2020)	Term
Yasuhiro Sato	Yes	Mr. Yasuhiro Sato, as Chairman of the Board of Directors of Mizuho Financial Group Corporation, has ample experience in corporate management, finance and accounting through the management of the financial institution group, as well as deep knowledge and excellent insight gained through such experience, and can be expected to contribute to the enhancement of audit and supervision by Audit & Supervisory Board of the Company. ● Chairman, Member of the Board of Directors of Mizuho Financial Group, Inc.	Four years from June 2020
Tateshi Higuchi	Yes	Mr. Tateshi Higuchi, who was involved in policy-related work for many years, has deep knowledge and excellent insight cultivated through his abundant experience in risk management and crisis management as well as through that experience, and can be expected to contribute to the enhancement of audit and supervision by Audit & Supervisory Board of the Company. ● Member of the Audit and Supervisory Board (Outside) of Daiichi Sankyo Co., Ltd. ● Outside Director of MIURA CO., LTD.	Four years from June 2020
Seishi Tashiro	Yes	Mr. Seishi Tashiro, who was involved in the work of the Board of Audit for many years, has deep knowledge and outstanding insight that he has developed through his rich financial and accounting experience, and can be expected to contribute to the enhancement of audit and supervision by Audit & Supervisory Board of the Company.	Four years from June 2020
Keiko Ohara	Yes	Ms. Keiko Ohara, who has been involved in legal practice both in Japan and overseas for many years, has deep knowledge and excellent insight cultivated through her abundant experience in legal matters and her experience, and can be expected to contribute to the enhancement of audit and supervision by Audit & Supervisory Board of the Company. ● Partner, Kamiyacho International Law Office ● Director, Member of the board (Independent) of Financial Products Group Co., Ltd. ● Outside Director of FUJI KYUKO CO., LTD. ● Auditor of Save the Children Japan	Four years from June 2020

* Audit & Supervisory Board Members: Mr. Shigeru Morichi, Mr. Kiwamu Miyakoshi, and Mr. Kunitoshi Saito’s terms of office expired at the conclusion of the 160th Annual General Meeting of Shareholders held on June 24, 2020, and of the Audit & Supervisory Board Members elected at the 159th Annual General Meeting of Shareholders held on June 26, 2019, Mr. Terunobu Maeda resigned on December 31, 2019.

Management Members (As of December 1, 2020)

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



Vice Chairman, 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
2020.06 Vice Chairman, Member of the Board
(Representative Director) [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
2020.06 Executive Vice President,
Representative Director
Chief of Civil Engineering Division
[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]

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]

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]

Yoshiro Aikawa



President, Representative Director

1980.04 Joined the Company
2013.04 Executive Officer
2016.04 Managing Executive Officer
2019.06 Managing Executive Officer,
Member of the Board
2020.04 Senior Managing Executive Officer,
Member of the Board
2020.06 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]

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
2020.04 Executive Vice President,
Member of the Board
Chief of Marketing & Sales 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
2020.06 Senior 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]

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]

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]

Yasuhiro Sato



External Audit & Supervisory Board Member

1976.04 Joined the Industrial Bank of Japan, Limited
2009.04 President of Mizuho Corporate Bank, Ltd.
2009.06 Member of the Board of Directors of Mizuho Financial Group, Inc.
2011.06 President & Group CEO of Mizuho Financial Group, Inc.;
Member of the Board of Directors of Mizuho Bank, Ltd.
2013.07 President & CEO of Mizuho Bank, Ltd.
2014.04 Member of the Board of Directors of Mizuho Bank, Ltd.;
Member of the Board of Directors of Mizuho Trust & Banking Co., Ltd.;
Member of the Board of Directors of Mizuho Securities Co., Ltd.
2014.06 Member of the Board of Directors, President & Group CEO of Mizuho
Financial Group, Inc.
2018.06 Chairman, Member of the Board of Directors of Mizuho Financial
Group, Inc. [Present Position]
2020.06 Audit & Supervisory Board Member of Taisei Corporation
[Present Position]

Seishi Tashiro



External Audit & Supervisory Board Member

1979.04 Joined Board of Audit of Japan
2011.07 Deputy Director General, Secretariat, General
Executive Bureau, Board of Audit of Japan
2013.03 Director General, 4th Bureau, Board of Audit Japan
2014.04 Director General, 1st Bureau, Board of Audit Japan
2015.04 Deputy Secretary General, Board of Audit of Japan
2016.04 Secretary General, Board of Audit of Japan
2017.10 Advisor of Chiba Institute of Technology
[Present Position]
2019.10 Special Professor of Chiba Institute of Technology
[Present Position]
2020.06 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
2019.06 Audit & Supervisory Board Member of
Taisei Corporation [Present Position]

Tateshi Higuchi



External Audit & Supervisory Board Member

1978.04 Joined National Police Agency
2003.02 Director, Investigative Planning Division, Criminal Investigation Bureau
of National Police Agency
2007.08 Deputy Director General of Policy Evaluation and Deputy Director
General in charge of Prevention of Crime Proceeds (International),
Commissioner-General's Secretariat of National Police Agency
2009.03 Deputy Superintendent General of Tokyo Metropolitan Police Department
2010.01 Director General of Community Safety Bureau of National Police Agency
2011.08 Superintendent General of Tokyo Metropolitan Police Department
2014.04 Ambassador Extraordinary and Plenipotentiary to the Republic of
the Union of Myanmar
2018.06 Member of the Audit and Supervisory Board (Outside)of Daiichi Sankyo
Co., Ltd. [Present Position]
2019.06 Outside Director of MILFA CO., LTD. [Present Position]
2020.06 Audit & Supervisory Board Member of Taisei Corporation [Present Position]

Keiko Ohara



External Audit & Supervisory Board Member

1988.04 Registered as a lawyer (Dai-ichi Tokyo Bar Association);
Joined Komatsu Sogo Law Firm (currently Komatsu & Koma Law Firm)
1992.09 Joined New York Office of Weil, Gotshal & Manges LLP.
1993.08 Registered as a lawyer (State of New York)
1993.10 Returned to Komatsu & Koma Law Firm
2000.02 Founding Partner, Kamiyacho International Law Office [Present Position]
2017.03 Auditor, Save the Children Japan [Present Position]
2017.06 Chair of Committee on Foreign Lawyers and International Legal
Practice of Japan Federation of Bar Associations [Present Position]
2018.12 Director, Member of the board (Independent) of Financial Products
Group Co., Ltd. [Present Position]
2019.06 Outside Director of FUJI KYUKO CO., LTD [Present Position]
2020.06 Audit & Supervisory Board Member of Taisei Corporation
[Present Position]

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

2: Mr. Kunitoshi Saito, Mr. Tateshi Higuchi, Mr. Seishi Tashiro and Ms. Keiko Ohara are External Audit & Supervisory Board Members as defined by the Companies Act, Article 2-XVI.

3: Ms. Atsuko Nishimura, Mr. Takao Murakami, Mr. Norio Otsuka, Mr. Fumiya Kokubu, Mr. Kunitoshi Saito, Mr. Tateshi Higuchi, Mr. Seishi Tashiro and Ms. Keiko Ohara are independent officers in accordance with the rules of Tokyo Stock Exchange and Nagoya Stock Exchange.

Chairman

Takashi Yamauchi

Vice Chairman

Yoshiyuki Murata

Executive Officers

President and Chief Executive Officer

Yoshiro Aikawa

Vice Chairman and Executive Officer

Kazuhiko Dai

Executive Vice Presidents

Shigeyoshi Tanaka

Chief of Civil Engineering Division

Shigeyuki Sakurai

Chief of Business Administration Division

Katsuyuki Kanai

Supervising Urban Development Division

Norihiko Yaguchi

Chief of Marketing & Sales Division (Integrated)

Takao Kanai

Chief of Marketing & Sales (West Japan)Division

Senior Managing Executive Officers

Yoshinobu Shigeji

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

Hiroshi Shirakawa

Chief of Marketing & Sales (Building Construction) Division II

Yasushi Yoshinari

Chief of Medical & Pharmaceutical Business Division

Masaharu Okada

Chief of Marketing & Sales (Building Construction) Division III

Jiro Taniyama

Chief of Corporate Planning Office

Hiroshi Tsuchiya

Chief of Marketing & Sales (Building Construction) Division I

Hiroshi Kimura

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

Managing Executive Officers

Kazuhiko Hombu

In charge of Technology;
In charge of Energy & Environment

Masao Yoshikawa

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

Takeshi Kagata

Chief of Kansai Branch

Keiji Hirano

Chief of International Operations Headquarters

Noriaki Kon

Chief of Procurement Division

Atsushi Yamamoto

Chief of Marketing & Sales Promotion 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

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

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

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

Makoto Ohta

General Manager of International Projects Management
Department, Civil Engineering Division

Shinji Kawamura

Chief of Kyusyu Branch

Iwao Nishioka

Chief of Tohoku Branch

Akira Nakaya

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

Naohisa Hirata

Chief of Nagoya Branch

Masahiko Okada

Chief of Hokushinetsu Branch

Yoshio Abe

Deputy Chief of Marketing & Sales (Civil Engineering) Division;
In charge of Olympic and Paralympic Projects

Akira Ejima

Chief of Yokohama Branch

Executive Officers

Yasushi Kamezawa

General Manager of Design Department, Civil Engineering Division

Shinsaburo Sawa

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

Yoshihiko Ikeuchi

Deputy Chief of Marketing & Sales (Civil Engineering) Division;

Ichiro Nagashima

Chief of Taisei Advanced Center of Technology

Weiyu 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

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

Shinichiro Takahama

Chief of Engineering Division

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

Yasuji Yamauchi

In charge of Technology

Shigeo Ochi

In charge of Technology

Miyoshi Kato

Chief of Energy Division

Masaru Kamata

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

Executive Fellows

Toshihiko Tsuka

In charge of Information Planning, Corporate Planning Office

Hirotooshi Ikeda

Deputy Chief of Architecture & Engineering Division (Integrated)

Yozo Shinozaki

Deputy Chief of Design Division

Yuji Ijiri

Chief of Nuclear Facilities Division

Tatsuya Sugawara

Chief of International Marketing & Business Development Division

Junichi Kasahara

General Manager of General Affairs Department, Business
Administration Division

Masato Matsumura

Chief of Design Division

Hiroki Fukasawa

Deputy Chief of Tokyo Branch (Civil Engineering);
General Manager of Civil Engineering Department

External Board Members’ Message

Message from four of Taisei Corporation’s External Members of the Board



External Member
of the Board
**Atsuko
Nishimura**

Profile

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

Concurrent positions

Outside Director of 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

One of the important responsibilities of External Members of the Board is to appropriately supervise corporate management from an independent perspective apart from internal officers who are directly involved in day-to-day business operations. Recent expansion of ESG investment and the UN-led SDGs indicate the rise of global interest in social issues. Moreover, companies that fail to fulfill their social responsibilities are criticized severely by investors and shareholders, which would have a major impact on their survival and development.

I would like to contribute to the growth of Taisei Corporation as a company that is highly valued by society, making use of my experience in tackling common social issues from a global perspective, as seen in the SDGs.

At our Company’s Board Meetings, directors present their opinions from various viewpoints, and carry out sincere and intense discussions. Last year, Mr. Murakami, Mr. Otsuka, and Mr. Kokubu, who have experience at companies in non-construction industries, were assigned as External Members of the Board. I believe that this has made our discussions livelier than before. We have also set up briefing sessions by the divisions in charge as good opportunities to get firsthand knowledge of the changing business environment. Based on the collaboration among External Members of the Board and the information we receive, External Members of the Board can provide expert advice. We are also working on the improvement of the effectiveness of the Board by reviewing agenda items for deliberation. I hope that these efforts will lead to fruitful discussions on forward-looking management strategies at the Board as well as appropriate and timely decisions, and will further ensure our Company’s sustainable development.

Last year, the construction of the new Japan National Stadium was completed, and we have now many opportunities to see it on the media including TV. Every time I see its beautiful and majestic structure, which is in harmony with nature, I am proud that we have achieved this historic project by combining our outstanding technological, organizational, and comprehensive capabilities. It is wonderful that next year our message for the future will be transmitted to people all over the world through the impressive construction. I think that the stadium symbolizes our Group’s efforts to realize the Taisei Group Philosophy of “To Create a Vibrant Environment for All Members of Society.” I hope that our Company will be a leader in overcoming the various difficulties that mankind and society will face with its leading-edge technological capabilities while considering the environment and being close to all stakeholders. I hope that Taisei Corporation will continue to shine as a company that supports the future of people and society through the development of infrastructure.



External Member
of the Board
**Takao
Murakami**

Profile

- 1969 Joined Sapporo Breweries Limited (Present: Sapporo Holdings Limited)
- 1999 Executive Officer
- 2001 Managing Executive Officer
- 2003 Member of the Board; Senior Managing Executive Officer of Sapporo Breweries Limited (new company)
- 2004 Managing Executive Officer, Member of the Board of Sapporo Holdings Limited
- 2005 President and Chief Executive Officer, Representative Director, Group CEO
- 2011 Chairman of the Board, Representative Director
- 2018 Honorary Counsellor of Sapporo Holdings Limited (incumbent)
- 2019 External Member of the Board of Taisei Corporation (incumbent)

Concurrent positions

External Member of the Board of Television Hokkaido Broadcasting Co., Ltd.
External Auditor of FUJIO FOOD SYSTEM Co., Ltd.

Reason for appointment

Rich experience in managing multiple companies

I think a company is nothing more than its people. Taisei Corporation’s company culture consists of a group of people who make decisions and those who conduct business. I believe that it is our mission as External Members of the Board to improve and maintain a good culture. On the other hand, if our Company’s common sense is not in line with society, then we should correct that.

I have observed some cases in which the Board had not deepened its discussions, perhaps because the proposals of the Board are submitted after various discussions and deliberations within the Company. However, Members of the Board are exchanging various opinions and having open discussions regarding the current status of the Board and the establishment of the Management Committee. So, my evaluation is that governance reform is making progress in the right direction.

I am afraid that discussions on the priority of sales and profits in the current Medium-term Business Plan were not sufficient. In addition, we have not made sufficient progress in the investment for growth and the expansion of overseas business. We should strictly analyze the current situation, including the appropriateness of the initial targets, conduct risk analysis from a global perspective, and allocate management resources efficiently and promptly to the regions and divisions where they are needed. It is important to examine our strengths and weaknesses deeply and thoroughly discuss specific measures to further develop our strengths and overcome our weaknesses in order to improve our corporate value.

One of our important challenges is to eliminate serious accidents. Of course, we are taking various measures to achieve zero accidents, however, I am sorry to say that we are still observing accidents. It is necessary to thoroughly discuss construction methods to prevent accidents, such as the promotion of unmanned construction.

Another important issue is diversity. In today’s society, female officers and executives are the driving force behind companies, so we should be more conscious and implement measures related to this.

Our Company has listed a number of issues, including management issues included in the Medium-term Business Plan and important ESG tasks (Materiality), however, it has become difficult to see the level of the importance of each. As I mentioned at the beginning, a company is nothing more than its people. In other words, the company is a group of its employees. Each and every employee has his or her own character, and the sum of these values leads to the corporate culture. Therefore, I believe it is extremely important for management to identify prioritized actions and have employees focus on solving these issues.

External Board Members' Message



External Member
of the Board
**Norio
Otsuka**

Profile

1973 Joined NSK Ltd.
2000 Executive Officer
2002 Managing Executive Officer, Member of the Board
2004 Senior Managing Executive Officer, Representative Director
2007 Executive Vice President, Representative Director
2009 President and Chief Executive Officer,
Representative Director
2015 Chairman, Member of the Board
2018 Advisor of NSK Ltd. (incumbent)
2019 External Member of the Board of Taisei Corporation
(incumbent)

Concurrent positions

Outside Director of Idemitsu Kosan Co., Ltd.
Outside Director of Sojitz Corporation

Reason for appointment

Rich experience in managing multiple companies

As an External Member of the Board, I would like to contribute to the enhancement of corporate value by expanding the business operations of Taisei Corporation and the entire Group. I am particularly interested in safety initiatives because I have a background in manufacturing. As for the current status with serious accidents, I believe that I can contribute to the eradication by using my own experience and examining the situation from a different perspective from that of our Company.

Furthermore, with regard to “Sustainable growth of overseas business” under the Medium-term Business Plan, I have experienced difficulties in expanding the overseas business in the companies for which I have worked. I believe that the knowledge I gained at that time will undoubtedly be useful for our Company’s overseas business.

The Board meetings of our Company discuss proposals that are closely related to our businesses. I think our meetings are more reliable than those that always discuss paper plans. However, I think we should be visionary and start having discussions from a medium to long-term viewpoint.

In April 2020, we established the Management Committee, which mainly discusses business execution, and redefined the Board as a supervisory body to discuss the broad direction of corporate strategy. I hope that this will function more effectively in the future.

As for the formulation of the Medium-term Business Plan, it is necessary to envision how our Group should be in the future. Then, we should understand the gap between that and our current status through backcasting, draw up strategies on how to fill the gap from a medium to long-term perspective, and consider how to implement those strategies. Also, since all officers and employees of our Group must execute the plan, it is meaningless if it is not understandable to all employees. We intend to summarize the next Medium-term Business Plan from this perspective.

Moreover, the Medium-term Business Plan sets management indicators such as sales and profits, and ESG-related initiatives such as safety, quality, and compliance, form the foundation of these indicators. It is important that top management make a strong commitment to actively address these non-financial issues as well.

Whether it is a building construction or civil engineering project, I think the construction industry provides us a wonderful job, which is truly “the work that remains on the map.®”

We would like to create an environment that allows all officers and employees of the Group to execute their daily operations while being aware of safety, quality, and compliance.



External Member
of the Board
**Fumiya
Kokubu**

Profile

1975 Joined Marubeni Corporation
2005 Executive Officer
2008 Managing Executive Officer
2008 Managing Executive Officer, Representative Director
2010 Senior Managing Executive Officer
2012 Executive Vice President
2012 Executive Vice President, Representative Director
2013 President and Chief Executive Officer,
Representative Director
2019 Chairman, Member of the Board (incumbent)
2019 External Member of the Board of Taisei Corporation
(incumbent)

Concurrent positions

Chairman of the Board of Marubeni Corporation
Outside Director of Honda Motor Co., Ltd.

Reason for appointment

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

In general, I suspect that one of the reasons why board of directors in Japan do not have deep discussions is due to the culture of people try to sense others’ feeling and avoid being different from others.

I think it is important for External Members of the Board not to guess what others are thinking and avoid making judgments in that way. I would like to live up to the expectations of our stakeholders by acting from such a standpoint.

When I first joined Taisei Corporation’s Member of the Board, I had the impression that the line between management and execution was not always clear. However, as I witnessed that our Company’s corporate governance, including its management structure, has been reviewed with a sense of urgency, I became convinced of the effectiveness of the governance. I expect that we can have deeper discussion focusing on the supervision of the management at the Board.

The current Medium-term Business Plan has a wide range of goals and measures, so it is difficult to see the priority of each item. I wonder if they are incorporated into the actions that should be taken by each employee. We believe that the next Medium-term Business Plan, whether bottom-up or top-down, should be a plan in which all officers and employees share the intention of the plan, from the formulation process to the establishment of targets and expected results, and understand what should be done in their daily work.

In recent years, environmental problems caused by climate change, such as hurricanes and forest fires, and social issues such as hunger and poverty have become more serious. They led to the proposal of SDGs by the United Nations and the expansion of ESG investment. In addition, the pandemic of COVID-19, which is a crisis shared by all humankind, forced us to take sustainability more seriously.

In the post-COVID-19 era, which will likely be a different world, big companies such as our Company must proactively propose or offer new added value to society, customers, and stakeholders in response to such social issues. As a construction company engaged in the most fundamental part of social infrastructure, in order to create new innovations, turn a crisis into an opportunity, and make further progress, it is extremely important for future management to steer the Company forward, and we, External Members of the Board, hope to play an active role utilizing our experience and expertise.

Risk Management Policy and Systems

In particular, in the event of an incident or accident that could have a serious impact on corporate management, information is centrally handled by the CRO (Chief Risk Management Officer) Secretariat, and reports are made to the President, who are the chief executives of risk management, and the Board. These risks include elements related to environmental, social and governance (ESG) such as infectious diseases, safety risks, and bribery. We share this information with the Risk Management Committee and the Risk Management Council in order to prevent recurrence of such risks, and implement effective risk management across the whole company.

 **Risk Management Policy/Policy on Business Continuity in Times of Disaster**
<https://www.taisei.co.jp/english/profile/philosophy/policies/>

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graph TD
    Board[Board] -- Report --> CEO[President & CEO  
Chief Risk Management Officer]
    CEO -- Report --> Board
    CEO -- "Instruction / Order" --> CRO[CRO (Chief of Business Administration Division)  
Supervision of risk management]
    CRO -- "Incident / Accident Response" --> Secretariat[CRO Secretariat]
    Secretariat --> HO[Head Office]
    Secretariat --> BO[Branch Offices]
    Secretariat --> GC[Group Companies]
    CRO -- "Countermeasures and Prevention of Reoccurrence" --> RMC[Risk Management Committee]
    RMC --> RMC_C[Risk Management Council]
    RMC_C --> RMPCH[Head Office Risk Management Promotion Committee]
    RMPCH --> RMPCB[Branch Offices Risk Management Promotion Committee]
  
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Initiatives for Business Continuity Planning (BCP)

 **[PICK UP] FY2019 Large-Scale Disaster Countermeasure Training based on BCP**
https://www.taisei.co.jp/about_us/csr/performance/iso26000/organization/#page_link02

Countermeasures against New Coronavirus (COVID-19) Infections

Furthermore, in response to a request from the government in April, we decided to actively promote telecommuting and shift work among office workers in the designated warning prefectures in the Declaration of Emergency Situations.

Compliance Policy and Systems

As indicated in the diagram below, the Company has appointed managers, promoters, and implementers in each division, and has established an internal compliance promotion system. In addition, the Compliance Committee, chaired by an external expert (lawyer), has been established as the Special Committee that responds to consultations with the President, and exchanges opinions on the promotion of compliance as appropriate. We strive to ensure thorough compliance by incorporating recommendations from the Committee.

The organizational chart is divided into two main sections: Administrative Structure and Implementation Structure.

Administrative Structure:

- President & CEO** (top level)
- CP*1 Committee** (reports to President & CEO)
- Secretariat** (reports to CP*1 Committee)
- CP Promotion Section*2** (reports to Secretariat)
- Head Office Business Administration Div.** (reports to President & CEO)
 - CP General Manager (Chief of Business Administration Division)**
 - CP General Promoter (General Manager of General Affairs Department)**

Implementation Structure:

- Head Office**
 - Division CP Manager (Chief of Division)**
 - Division CP Promoter (General Manager in Charge of Administration)**
 - CP Implementers (All Department General Managers)*3**
 - All Executives and Employees**
- Branches**
 - Division CP Manager (Chief of Branch)**
 - Division CP Promoter (Administrative Manager)**
 - CP Implementers (All Department General Managers)*3**
 - All Executives and Employees**


 **Overall Principles of Conduct**
<https://www.taisei.co.jp/english/profile/philosophy/>

- *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.

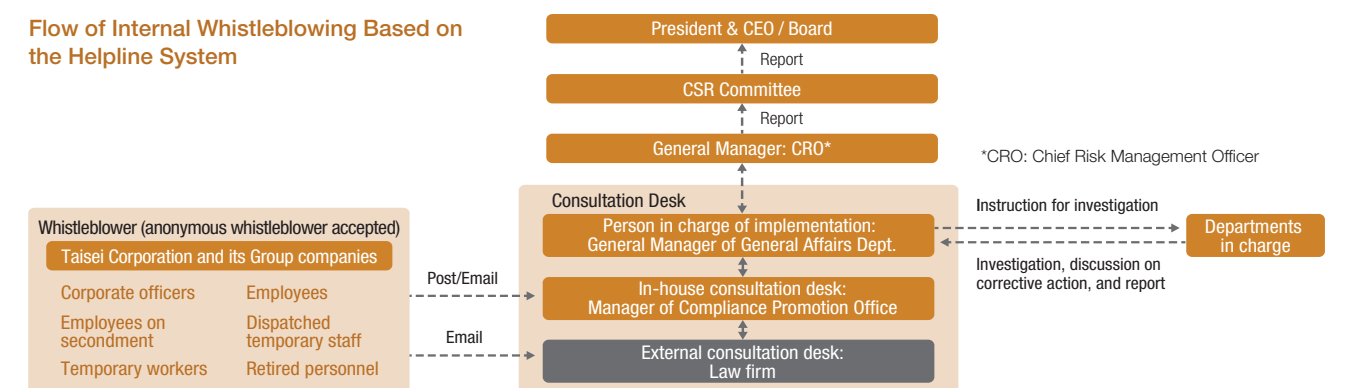
Whistleblowing and Consultation System

Based on the Whistleblower Protection Act, at the Taisei Group, we have established a system in which in- and outside parties (business partners and other entities that have a direct contractual relationship with the Company) can report and consult on illegal acts committed by executives and employees and acts that violate (or an act intended to violate) the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and we have established consultation desks in-house and at an external organization (a law firm). In addition, inquiries from outside stakeholders other than those listed above are handled through the Company's website. When handling

whistleblowing reports, we 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 uncover information about any illegal activities. We carry out fact-finding investigations on the whistleblowing reports received and respond appropriately, including taking corrective measures as needed.

 **Fair Operating Practices**
https://www.taisei.co.jp/english/csr/performance/iso26000/fair_operating/

Flow of Internal Whistleblowing Based on the Helpline System



Risk Management / Compliance

Compliance Education and Training

At Taisei Corporation, we conduct annual compliance training for all executives and employees to raise compliance awareness. In addition, in order to strengthen compliance across the entire Group, we regularly hold meetings for legal affairs officers to share information and opinions on legal affairs issues with Group companies in Japan, and we hold group compliance hearings to confirm the status of compliance promotion and exchange opinions. In addition, compliance training is conducted annually for business partners (specialized contractors) to ensure thorough compliance throughout the supply chain through systematic education and training.



Education and Training for Raising Awareness of Compliance

https://www.aisei.co.jp/english/csr/performance/iso26000/fair_operating/

Fostering a Corporate Culture of Compliance

In order to instill a sense of compliance among all officers and employees and establish it as a corporate culture, we have been publishing the Compliance Newsletter since fiscal 2006, which covers familiar topics related to compliance.

The back issues of the Compliance Newsletter are posted on the Company's intranet for use in daily risk management and education for officers and employees, and are also used as educational materials for officers and employees of Group companies.

In addition, a Compliance Questionnaire is conducted for all executives and employees with the aim of understanding the current status and issues related to compliance within the Taisei Group and further promoting compliance. The results of the questionnaire are analyzed, and proposed measures are reviewed, reported to management, and disclosed to all officers and employees through the Compliance Newsletter. In addition, necessary measures are taken in cooperation with related departments to promote further compliance.

Information Security Measures

In the construction industry, sharing information with a large number of stakeholders, such as clients and contractors (specialized contractors, etc.), is essential in the construction process. Therefore, the Taisei Group has set forth "Management of information and intellectual property rights" under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and has implemented various measures related to information security.

At Taisei Corporation, we have compiled a booklet containing minimum rules to be observed and have been providing education and guidance to all officers and employees as well as business partners. Since FY2016, we have been working to strengthen the information security environment at our overseas sales offices and work sites. We also work to strengthen measures against the risk of information leaks associated with telecommuting (working from home using ICT) in FY2019.

In addition, in order to prevent and mitigate intellectual property risks such as infringements of rights and technology leaks that have a serious impact on corporate management, we implement thorough risk management in all business processes.

To respond to the increasingly serious risk of cyber attacks, we established the Taisei-Security Incident Response Team (SIRT) and work to collect the latest information on cyber attacks and take measures to prevent cyber attacks in cooperation with external organizations through the Nippon CSIRT Association, which we joined in March 2013. In FY2019, company-wide information security training was conducted five times, with no major security incidents.



Anti-Corruption Policy

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 we implement Group-wide initiatives to prevent bribery and other misleading acts in accordance with laws and regulations and various internal rules.

In 2018 we signed the United Nations Global Compact, and we have strengthened anti-corruption measures on a global basis by conducting awareness-raising activities regarding "Prevention of bribery of foreign public officials" for all executives and employees based on one of the 10 principles, "Business should work against corruption in all its forms, including extortion and bribery." There were no dismissals due to corruption or bribery in FY2019.



Political donation

https://www.aisei.co.jp/english/csr/performance/iso26000/fair_operating/

Response to Compliance Violations

In the event of a serious violation of compliance, we strive to accurately ascertain the facts of the violation, thoroughly implement measures to prevent the recurrence of the violation, and horizontally deploy them within the Company as necessary. The perpetrators are subject to necessary disciplinary action, including dismissal.

Thorough Awareness of Structure of Values and Policies

We created a portable card for the Structure of Values and Policies (see p.1) which was restructured in 2010, and we have worked to instill and firmly establish it. Since FY2011, we have operated annual training on the Structure of Values and Policies based on an e-learning format in order to further spread and consolidate the Structure of Values and Policies while connecting it to social demands and in-house initiatives.

In FY2019, we conducted an e-learning program for employees on the theme of the Structure of Values and Policies, and the participation rate was 94%.

Specific Measures for Compliance with the Antimonopoly Act

Taking the fact seriously that we were indicted on suspicion of violating the Antimonopoly 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 Antimonopoly Act
- 4 Implementation of e-learning for all officers and employees (September 2018 and June 2019)
- 5 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/November 2018 and February/March 2020)

Initiatives to Ensure Fair Subcontracts and Eliminate Anti-Social Forces

At Taisei Corporation, we have set forth "Promoting partnerships with supply chains" under the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, and declares "Promoting partnerships with subcontractors and suppliers" and stipulates that we build fair, trustworthy relationships with our business partners and conduct transactions 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 subcontractors, declaring that the supplier is not an anti-social force and that if revealed otherwise, the contract may be canceled without notice.

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 that there are no inappropriate acts in the process of bidding operations, 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, the Antimonopoly Act and the Subcontractors Protection Act. The results are reported to the in-house Auditing Department.

Civil Engineering



Executive Vice President,
Members of the Board;
Chief of Civil Engineering Division
Shigeyoshi Tanaka

To protect the safety and security of people's lives, we have supported Japan's economic and social growth through the development of social infrastructure, including tunnels and bridges. In recent years, with the aim of establishing next-generation construction production systems, we have actively promoted the use of information and communication technology (ICT) in civil engineering work to improve construction quality and productivity at construction sites.

Major Businesses

Construction of civil structures such as tunnels, bridges, dams, railways, and expressways

Major Subsidiaries

- **TAISEI ROTEC CORPORATION** (Design and construction of pavement and civil engineering works, and manufacture, sales, and recycling of construction materials)
- **SEIWA RENEWAL WORKS CO., LTD.** (Civil engineering, renewal work, production, and sales of construction machinery, etc.)

Business Strategies

Strategies and measures

Strengthening of overseas civil engineering business

- Expansion of official development assistance (ODA) projects such as the Philippines North-South Commuter Railway Extension Project CP01 construction area (Manila City)
- Expansion of target areas for large-scale transportation infrastructure businesses
- Expansion of new business fields and strengthening of collaboration among Group companies in preparation for overseas expansion

Upgrading of on-site capabilities

- Achievement of targets for overtime work and closure of work sites based on the work style reform roadmap
- Promotion of the utilization of ICT tools and strengthening of the development of labor-saving and unmanned construction technologies
 - *Mountain tunnels, etc.: Promotion of technology to detect falling rocks through image recognition and issuance of an alarm, and mechanization and automation technology to ensure maximum safety for workers using artificial intelligence (AI), etc.
 - *Dams, bridges, railways, etc.: Strengthening of construction management technologies to improve productivity, including concrete quality management using Taisei Construction Information Management (T-CIM^{*1})

Involvement in New Business Area

- Establishment of technology to maintain and renew social infrastructure in cooperation with Group companies
- Promotion of winning orders for dam restoration and renewal projects such as replacement of expressway floor slabs^{*2}
- Initiatives for power generation business, renewable energy, carbon dioxide (CO₂) capture, etc.
 - *Contribution to the introduction and market growth of concrete foundations for floating offshore wind power generation facilities in Japan through the signing of a memorandum of understanding on the joint development and market development in Japan of concrete foundations for floating offshore wind power generation facilities with a French company, Ideol S.A.
- Focus on receiving orders for large-scale construction projects through a new bidding system (the early contractor involvement, or early contractor involvement (ECI) framework, method) in addition to initiatives in business fields such public private partnership (PPP) projects and the concession^{*3} business (see p.60 ①)

^{*1} This is our proprietary construction information modeling system that manages and shares construction-related information. The Company is currently promoting its introduction to engineering construction sites.

^{*2} This is a project to replace old reinforced concrete floor slabs of road bridges with more durable ones.

^{*3} This is the sale of operation rights of airports, water supply, etc. by the government or other public entities to private companies while retaining ownership.



Innovation of construction production system with T-CIM
<https://www.taisei.co.jp/english/csr/performance/iso26000/consumer/>

Segment Overview

The figures include intersegment transaction.

Net sales in the Civil Engineering segment increased 4.8% year on year, to ¥491.1 billion. Operating income rose 34.4%, to ¥71.3 billion as gross profit on completed construction increased due to a turnaround in profit margin.

Sales

491.1 billion yen

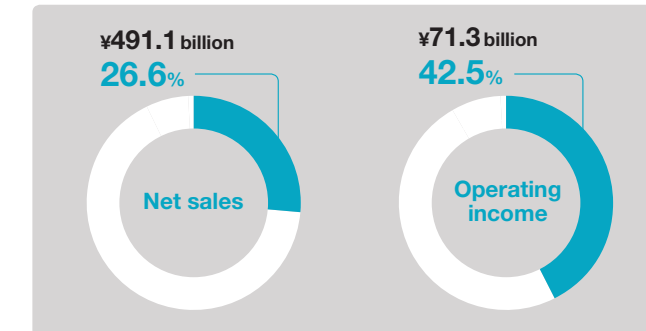
(Up 4.8% YoY)

Operating income

71.3 billion yen

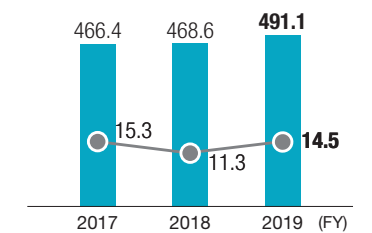
(Up 34.4% YoY)

Composition by Segment



Sales / Operating margin

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



Major New Orders Received



- ① Construction work for restoration of the Tozaidouro Shield Tunnel outbound line route 3 in Kagoshima Prefecture (Kagoshima-shi, Kagoshima)
Owner: Ministry of Land, Infrastructure, Transport and Tourism Kyushu Regional Development Bureau



- ② Onikoube Solar Power Plant new construction PV civil engineering work (Osaki-shi, Miyagi)
Owner: Toshiba Energy Systems & Solutions Corporation

Major Project Completed



- ③ Construction work of Tokyo Outer Ring Road (Tajiri Section) (Ichikawa-shi, Chiba)
Owner: East Nippon Expressway Company Limited



- ④ The Shield Tunnel on the Yokohama Circular Northwestern Route (Kohoku Bound) (Yokohama-shi, Kanagawa)
Owner: Metropolitan Expressway Company Limited

Building Construction



Managing Executive Officer,
Members of the Board;
Chief of Building Construction Division
Yoshihiro Teramoto

We provide a wide range of buildings that meet a variety of needs, such as safety, security, comfort, and convenience in light of social demands for environmental and energy issues, longer life of structures, and reduced life cycle costs.

Major Businesses

Construction of airports, condominiums, offices, commercial facilities, factories, schools, hospitals, etc.

Major Subsidiaries

- **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)

Business Strategies

Strengthening of customer-oriented construction business

- Strengthening of competitiveness in order receipt in the renewal field by leveraging the comprehensive strengths of sales, design, and construction
- Focus on the field of airport construction by taking advantage of the strengths cultivated through the construction results of many international airports (see p.62 ①)
- Achievement of stable earnings by promoting businesses that resolve social issues, such as energy-saving buildings, net zero energy buildings (ZEB), and business continuity planning (BCP) support
- Enhancement of engineering capabilities to meet customer needs

Strengthening of on-site capabilities

- Achievement of targets for overtime work and closure of work sites based on the work style reform roadmap
- Enhancement of productivity in the construction process through the introduction of ICT and through the Digital Product Center and the Worksite Operation Promotion Center, which are the construction site support departments, with the use of building information modeling (BIM)*
- Improvement of the treatment of technical staff and securing the human resources by promoting the introduction and operation of the Construction Career Up System (CCUS) (see p.39)

Establishment of a new business model

- Establishment of business models and generation of revenue sources by leveraging our technologies in the ICT field
- Active initiatives such as business alliances with Japanese and foreign information technology (IT) and venture companies

* This is a construction information database that links a 3D building model created with a computer and attribute information including the specification, layout, and cost of building components and equipment.

Segment Overview

The figures include intersegment transaction.

Net sales in the Building Construction segment increased 8.4% year on year, to ¥1,224.8 billion. Operating income fell 5.7%, to ¥82.6 billion due to a decline in gross profit on completed construction resulting from lower profitability.

Sales

1,224.8 billion yen

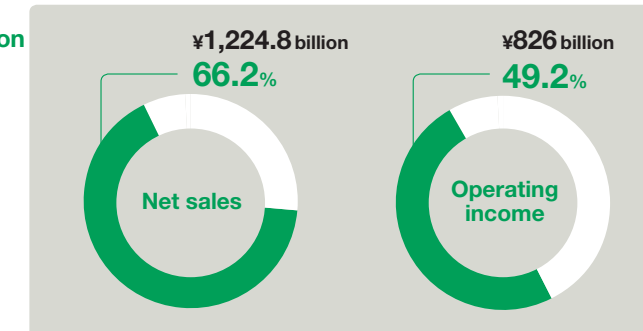
(Up 8.4% YoY)

Operating income

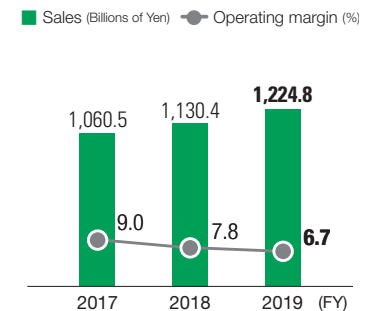
82.6 billion yen

(Down 5.7% YoY)

Composition by Segment



Sales / Operating margin



Major New Orders Received



① **Package 'A' - Passenger Terminal Building and Associated Works on Bandaranaike International Airport Development Project Phase II Stage 2 (Democratic Socialist Republic of Sri Lanka)**

Owner: Airport and Aviation Services (Sri Lanka) Ltd.



② **Mitsui Shopping Park LaLaport TAICHUNG (tentative name) Project (Taiwan)**

Owner: SAN ZHONG EAST DIST LALAPORT CO., LTD.



③ **Large-scale renovation work of Funabashi Race Track (Funabashi-shi, Chiba)**

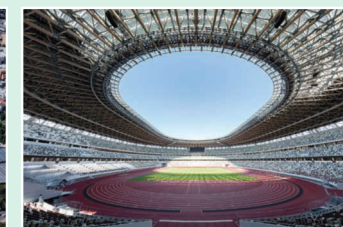
Owner: Yomiuri Land Co., Ltd.

Major Project Completed



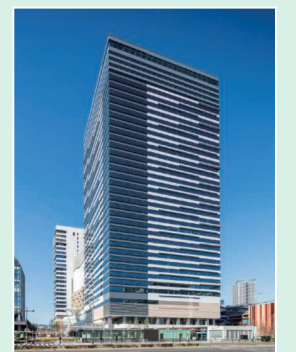
④ **New National Stadium Development Project (2nd Period) (Shinjuku-ku and Shibuya-ku, Tokyo)**

Owner: Japan Sport Council



⑤ **Toyosu 2nd District 2-1 Project (Towers A and C) (Koto-ku, Tokyo)**

Owner: Mitsui Fudosan Co., Ltd.



Real Estate Development



Chief of Urban Development Division
Takashi Yamazaki

We are involved in about 20% of the legally mandated redevelopment projects in Japan, and we are strongly promoting urban planning by utilizing abundant expertise and networks that are the most experienced among major general contractors. From business planning proposals to design, construction, management, and operation, we propose profitable plans through a variety of business schemes, and provide new value rooted in the local culture.

Major Businesses

Redevelopment, private finance initiatives (PFIs), property management, and condominium sales projects, etc.

Major Subsidiaries

- Taisei-Yuraku Real Estate Co., Ltd. (Real estate development, facility management, etc.)

Business Strategies

Strategic investments in Japan and overseas

- Expansion of development areas in Southeast Asian countries including Taiwan following Vietnam
- Strengthening of new profit opportunities such as investment in existing profitable buildings in the United States
- Promotion of appropriate portfolio strategies in real estate development projects that we promote as project operator, such as The Okura Prestige Tower (office) (see p.64 ③) and the development of the (tentative name) Nambanaka 2-chome Development Project (site A) (see p.64 ①)
- Investment in human resources by assigning employees to Southeast Asian countries and hiring local staff

Enhancement of large projects development, urban redevelopment business, and PPP/PFI business

- Promotion of large-scale projects that combine civil engineering, construction, and development, such as the reconstruction of large terminal stations in central Tokyo
- Participation in large-scale private development projects utilizing a range of urban development methods
- Participation in community planning projects in regional core cities
- Continuous participation in large-scale redevelopment projects
- Further promotion of PPP/PFI projects

Creation of new business opportunities

- Expansion of businesses based on requests from society including efficient use of public facilities and enhancement of disaster prevention functions in towns, such as domestic airport concession projects (facility operation business), public housing reconstruction projects, and initiatives to reduce the area covered by wooden buildings, in collaboration with Group companies
- Participation in development projects based on urban planning strategies using new area development methods, such as the activities of the Shinjuku Subcenter Area Environmental Improvement Commission

Strategies and measures

Segment Overview

The figures include intersegment transaction.

Sales

118.3 billion yen

(Down 2.9% YoY)

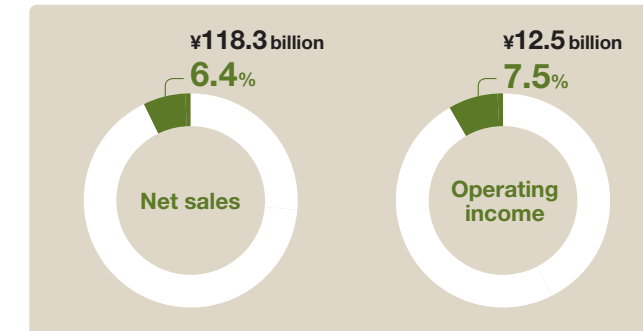
Operating income

12.5 billion yen

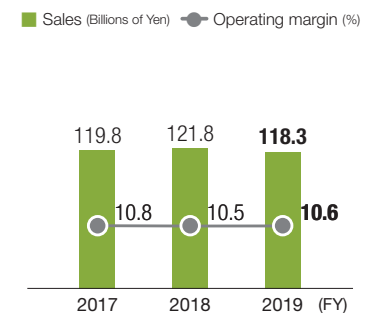
(Down 2.7% YoY)

Net sales in the Real Estate Development segment fell 2.9% year on year, to ¥118.3 billion due mainly to a decline in the number of condominiums delivered by the consolidated subsidiaries. Operating income decreased 2.7% year on year, to ¥12.5 billion as gross profit on development business declined reflecting mainly lower sales.

Composition by Segment



Sales / Operating margin



Major New Orders Received



① (Tentative name) Nambanaka 2-chome Development Project (site A) (Osaka-shi, Osaka)

Owner: Centara Osaka Tokutei Mokuteki Kaisha (Centara Hotels & Resorts, Taisei Corporation, Kanden Realty & Development Co., Ltd.)



② (Tentative name) Hakata-Eki Higashi 1-chome Project (Fukuoka-shi, Fukuoka)

Owner: NTT Urban Development Corporation, Taisei Corporation

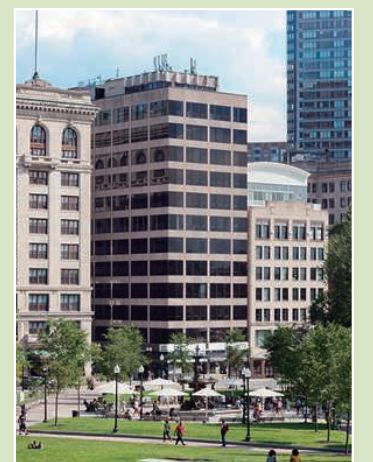
Major Project Completed



③ The Okura Prestige Tower (office) (Minato-ku, Tokyo)

Office Owner: Aoicho TMK

* Hotel Owner: Hotel Okura Co., Ltd.



④ 141, Tremont, Street (Boston, MA, United States)

Owner: Co-owned with NTT Urban Development Corporation and Synergy Investments

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Explanation and Analysis of Business Results

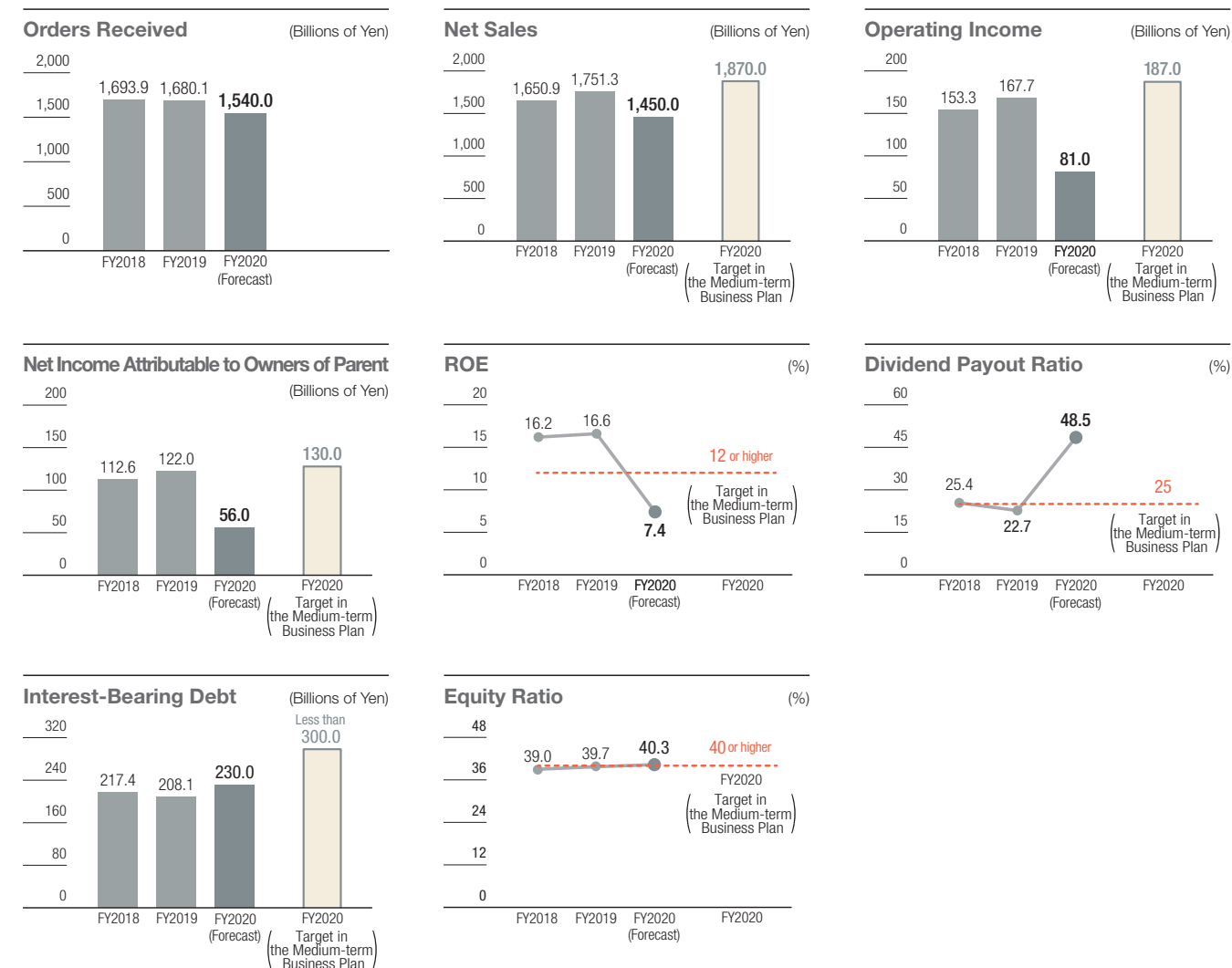
Basic Capital Policy

Taisei Corporation will strive to maintain and improve its solid financial base to enable stable and sustainable growth.

As a precondition, we will return profits to our stakeholders in an appropriate manner by considering capital efficiency based on the dividend payout ratio and ROE, while maintaining long-term stable dividends as our basic policy.

Financial Results for FY2019 and Outlook for FY2020

Business performance for the period of the Medium-term Business Plan (FY2018–FY2020) (Consolidated)



In FY2019, the initial target for orders received was not achieved because the timing of orders for several large-scale projects in the domestic construction business was pushed back to FY2020 or later, but the amount of orders received was generally at the same level as in FY2018. Net sales increased due to the steady progress of construction projects on hand. Consequently, we recorded our second-highest-ever growth in all stages of profit, exceeding the level of FY2018 due to higher net sales and profitability of the civil engineering business.

On the other hand, in FY2020 we expect orders received to decrease from the level of FY2019 due to the impact of new coronavirus (COVID-19) infections. Net sales are also expected to decline due to lower orders received and delays in manufacturing processes caused by construction interruptions. As for each stage of profit, in addition to the decline in sales, we do not anticipate any uncertain upturn factors, such as the acquisition of additional works, and therefore we forecast a decrease in all profit metrics.

Outlook for the Medium-term Business Plan (FY2018–FY2020)

The performance forecast for FY2020 is expected to be lower than the numerical targets set in the Medium-term Business Plan. This is mainly due to the impact of the spread of COVID-19 infection, changes in the environment for orders received after the Tokyo 2020 Olympics and Paralympic Games, and investment in growth for securing new business opportunities that did not progress as expected.

The next Medium-term Business Plan will be discussed in light of the economic situation after the resolution of the COVID-19 infection and trends in construction investment.

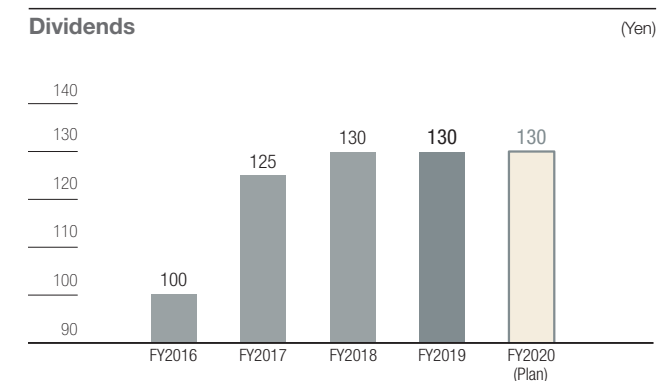
Future Investment in Growth

As for investment in growth, we will continue to invest in research and development, ICT, and other investments that are already underway and that are necessary for business continuity. However, until the COVID-19 infection is resolved, we believe that the top priority is to increase our cash reserves to prepare for various risks and to enhance management safety. Future investment plans will depend on when the COVID-19 infection subsides. The plans will be outlined in the next Medium-term Business Plan.

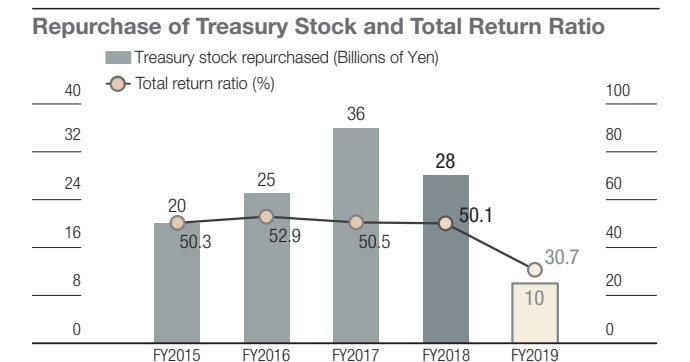
Shareholder Return

The Company has made it a basic policy to pay long-term stable dividends to shareholders. To prepare for future business development, the Company aims to increase retained earnings and return profits to shareholders in line with business performance. We will pay a year-end dividend of ¥65 per share for FY2019, taking into consideration the results of the fiscal year under review and the future business environment. As a result, the total dividend for FY2019, including the interim dividend, will be ¥130 per share.

The Company has positioned the acquisition of treasury stock as an ongoing capital policy, based on the recognition that reducing the number of outstanding shares is a management issue for the Company. In FY2020, we decided to provide ¥10 billion in consideration of the current situation. We will continue to make timely decisions based on a comprehensive evaluation of the business environment and the cash reserves required for business continuity.



Note: In October 2017, the Company consolidated one share for every five shares of common stock. The calculation is based on the assumption that the consolidation of shares was carried out at the beginning of FY2016.



Strategic Stockholdings

The Company maintains strategic stockholdings with the objective of building and strengthening long-term and stable cooperative relationships with important business partners and improving its competitiveness and profitability. Of these shares, those that are not judged to be economically rational over the medium to long term or have no future prospects as a result of the examination by the Board, and are judged to be inconsistent with the Strategic Stockholdings Policy, will be sold in a timely and appropriate manner.

The Board will continuously verify the consistency with the purpose of holding and the medium- to long-term economic rationality and prospects of all listed strategic stockholdings based on a quantitative comparison of capital costs with the return and risk of holdings.

Explanation and Analysis of Business Results

Overview of Business Results

During the fiscal year ended March 31, 2020, the Japanese economy experienced weakness mainly in the manufacturing industry due to the prolonged trade-related issues in the global economy, and personal consumption and corporate earnings deteriorated rapidly due to the global outbreak of COVID-19.

In the construction industry, public investment was firm and private capital investment increased moderately, but the spread of COVID-19 infections began to have an impact on the industry

Given this situation, the operating results of the Taisei Corporation Group were as follows.

Orders received decreased in the Building Construction business due to the impact of postponement of orders for certain large-scale construction projects in line with the spread of COVID-19 infections. However, orders received in the Civil Engineering business increased due to large-scale construction projects. Consequently, orders received were generally on a par with the previous fiscal year, at ¥1,680.0 billion.

Net sales advanced 6.1% from the previous fiscal year, to ¥1,751.3 billion, due mainly to the smooth completion of a large amount of construction works on hand in the Civil Engineering business and the Building Construction business.

Operating income grew 9.4% year on year, to ¥167.7 billion, due to higher gross profit in the Civil Engineering business, the acquisition of additional large-scale construction works in the final stage of construction, and an improved profit margin resulting from cost reductions in line with the progress of construction. Net income attributable to owners of parent rose 8.5% year on year, to ¥122.0 billion, due mainly to growth in interest and dividend income and reversal of allowance for losses on Antimonopoly Act, despite increases in write-down of marketable and investment securities, impairment losses on fixed assets, and income taxes accompanying higher income before income taxes. Return on equity (ROE) rose 0.4 percentage point, to 16.6%.

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

(1) Civil Engineering

In the Civil Engineering segment, net sales increased 4.8% year on year, to ¥491.1 billion due mainly to the smooth completion of a large amount of construction works on hand. Operating income rose 34.4%, to ¥71.3 billion, due to higher gross profit, the acquisition of additional large-scale construction works in the final stage of construction, and an improved profit margin resulting from cost reductions in line with the progress of construction.

(2) Building Construction

Net sales in the Building Construction segment increased 8.4% year on year, to ¥1,224.8 billion, due mainly to the smooth completion of a large amount of construction works on hand. Operating income fell 5.7%, to ¥82.6 billion, due to a decline in gross profit on completed construction projects reflecting lower profitability in certain large-scale construction projects where profit improvement did not progress.

(3) Real Estate Development

In the real estate industry, sales prices in the condominium market remained high, and customers increasingly selected locations mainly in urban areas and near train stations. In the building leasing market, rents continued on a moderate upward trend mainly in central Tokyo and the market remained firm.

In the Taisei Group, on the other hand, net sales declined 2.9%, to ¥118.3 billion, due to a decrease in the number of condominiums delivered by consolidated subsidiaries. Operating income declined 2.7% year on year, to ¥12.5 billion, reflecting a decline in gross profit in real estate development operations due mainly to lower sales.

(4) Other

Net sales rose 19.2%, to ¥14.4 billion, and operating income grew 5.1%, to ¥1.2 billion.

Major projects completed during the fiscal year ended March 31, 2020:

Owner	Project
Japan Sport Council	New National Stadium Development Project (2nd Period) (Shinjuku-ku and Shibuya-ku, Tokyo) (See p.62)
Hotel Okura Co.,Ltd.	(Tentative Name) Toranomom 2-10 Project (Minato-ku, Tokyo)
Mitsui Fudosan Co.,Ltd	Toyosu 2nd District 2-1 Project (Towers A and C) (Koto-ku, Tokyo) (See p.62)
East Nippon Expressway Company Limited	Construction work of Tokyo Outer Ring Road (Tajiri Section) (Ichikawa-shi, Chiba) (See p.60)
Metropolitan Expressway Company Limited	The Shield Tunnel on the Yokohama Circular Northwestern Route (Kohoku Bound) (Yokohama-shi, Kanagawa) (See p.60)

Orders received	Millions of Yen	
Reporting segment	2019	2020
Civil Engineering	¥ 411,058	¥ 434,970
Building Construction	1,148,973	1,117,916
Real Estate Development	124,586	115,812
Others	9,241	11,351
Total	¥1,693,859	¥1,680,051

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

Net sales	Millions of Yen	
Reporting segment	2019	2020
Civil Engineering	¥ 439,109	¥ 459,109
Building Construction	1,087,671	1,168,446
Real Estate Development	114,855	112,422
Others	9,241	11,351
Total	¥1,650,877	¥1,751,330

Cash Flows

(1) Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥77.4 billion (versus ¥71.0 billion in net cash used in the previous fiscal year), due mainly to ¥174.7 billion in income before income taxes.

Compared with the previous fiscal year, the main factors behind the ¥148.5 billion improvement included an increase in advances received and progress billings on uncompleted contracts and an improvement of ¥83.4 billion in the balance of construction-related items.

(2) Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥33.2 billion (versus ¥82.2 billion in net cash used in the previous fiscal year), due mainly to a decrease of ¥60.2 billion in time deposits. This resulted in an improvement of ¥115.5 billion.

Financial Position

(1) Assets

Total assets at year-end climbed 2.4% or¥43.8 billion year on year, to ¥1,889.9 billion, principally due to an increase in trade notes and accounts receivable (from completed construction contracts).

(2) Liabilities

Total liabilities rose 1.1% or ¥12.2 billion, to ¥1,136.0 billion, mainly reflecting an increase in advances received and progress billings on uncompleted contracts.

(3) Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥66.6 billion (versus ¥96.1 billion in the previous fiscal year). The main factors behind the ¥29.5 billion improvement were an absence of ¥10.0 billion in redemption of bonds recorded in the previous fiscal year and a decrease of ¥8.0 billion in acquisition of treasury stock.

Accordingly, cash and cash equivalents at the end of the fiscal year under review amounted to ¥482.6 billion, up ¥45.0 billion over the previous fiscal year-end. The balance of interest-bearing debt for fund-raising purposes amounted to ¥208.1 billion, down ¥9.2 billion from the previous fiscal year. Of the interest-bearing debt for fund-raising purposes, non-recourse debt was ¥0.1 billion, up ¥0.1 billion.

(3) Net Assets

Net assets grew 4.4% or ¥31.5 billion, to ¥753.9 billion, principally due to higher net income attributable to owners of parent despite the acquisition of treasury stock and a decrease in unrealized holding gains on securities, net of taxes due to a decline in stock prices. Consequently, the equity ratio rose 0.7 percentage point, to 39.7%.

Major new orders received during the fiscal year ended March 31, 2020:

Owner	Project
Airport and Aviation Services (Sri Lanka) Ltd.	Package 'A' - Passenger Terminal Building and Associated Works on Bandaranaike International Airport Development Project Phase II Stage 2 (Democratic Socialist Republic of Sri Lanka) (See p.62)
Central Japan Railway Company	Construction work for Gifu Prefecture Station (tentative name) on the Chuo Shinkansen line
Ministry of Land, Infrastructure, Transport and Tourism Kyushu Regional Development Bureau	Construction work for restoration of The Tozaidouro Shield Tunnel outbound line route 3 (Kagoshima-shi, Kagoshima) (See p.60)
Kawasaki City	Kawasaki City New Main Building Construction Project
Ministry of Land, Infrastructure, Transport and Tourism Kanto Regional Development Bureau	Construction work of Ichigaya Police general office building

CONSOLIDATED BALANCE SHEETS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 2019 AND 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 467,750	¥ 482,723	\$ 4,435,569
Notes and accounts receivable, trade (Notes 4 and 7)	542,009	615,037	5,651,355
Cost on uncompleted contracts	42,472	54,857	504,061
Cost on development projects in progress	96,750	105,488	969,292
Other inventories	3,804	3,096	28,448
Other current assets (Note 7)	47,773	37,989	349,067
Allowance for doubtful accounts	(121)	(167)	(1,534)
Total current assets	1,200,437	1,299,023	11,936,258
Fixed assets:			
Tangible fixed assets			
Buildings and structures (Notes 10,16 and 19)	152,138	146,673	1,347,726
Machinery, vehicles and equipment (Notes 16 and 19)	60,380	60,617	556,988
Land (Notes 10,16,17 and 19)	135,939	120,572	1,107,893
Construction in progress	1,255	685	6,294
Subtotal	349,712	328,547	3,018,901
Accumulated depreciation	(129,967)	(124,147)	(1,140,742)
Total tangible fixed assets	219,745	204,400	1,878,159
Intangible fixed assets (Note 16)	13,028	14,289	131,296
Investments and other assets:			
Investment securities (Notes 4, 5 and 6)	367,627	317,622	2,918,515
Net defined benefit asset (Note 11)	11,387	13,205	121,336
Deferred income tax assets (Note 9)	3,915	12,747	117,128
Other assets (Note 6 and 14)	31,806	30,220	277,681
Allowance for doubtful accounts	(1,769)	(1,510)	(13,875)
Total investments and other assets	412,966	372,284	3,420,785
Total fixed assets	645,739	590,973	5,430,240
Total assets	¥ 1,846,176	¥ 1,889,996	\$ 17,366,498

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Current liabilities:			
Notes and accounts payable, trade (Notes 4 and 7)	¥ 507,335	¥ 491,569	\$ 4,516,852
Short-term loans (Notes 4, 6 and 8)	59,924	58,401	536,626
Current portion of long-term debt (Notes 4, 6 and 8)	31,344	39,789	365,607
Income taxes payable	18,982	31,956	293,632
Advances received and progress billings on uncompleted contracts	99,746	121,646	1,117,762
Deposits received (Note 4)	155,030	146,540	1,346,504
Allowance for warranty on completed contracts	3,475	3,605	33,125
Allowance for losses on construction contracts (Note 16)	2,761	2,270	20,858
Allowance for losses on Anti-Monopoly Act	9,129	—	—
Other current liabilities (Note 7)	37,065	61,662	566,590
Total current liabilities	924,791	957,438	8,797,556
Long-term liabilities:			
Long-term debt (Notes 4 and 8)	126,850	110,606	1,016,319
Deferred income tax liabilities (Note 9)	6,199	241	2,215
Deferred income tax liabilities for revaluation of land (Notes 9 and 17)	3,286	3,280	30,139
Retirement benefits for directors and audit & supervisory board members	417	437	4,015
Allowance for losses on investments in subsidiaries and affiliates	16	—	—
Allowance for environmental spending	44	2	18
Net defined benefit liability (Note 11)	42,022	45,045	413,902
Other long-term liabilities	20,161	19,031	174,869
Total long-term liabilities	198,995	178,642	1,641,477
Total liabilities	1,123,786	1,136,080	10,439,033
Net assets (Notes 12 and 20):			
Shareholders' equity:			
Common stock			
Authorized: 440,000,000 shares			
Issued: 224,541,172 shares	122,742	122,742	1,127,832
Capital surplus	60,199	60,199	553,147
Retained earnings	465,127	556,305	5,111,688
Less: Treasury stock, at cost (Note 22)	(37,503)	(65,516)	(602,003)
Total shareholders' equity (Note 22)	610,565	673,730	6,190,664
Accumulated other comprehensive income:			
Unrealized holding gains on securities, net of taxes	108,782	74,536	684,885
Deferred losses on hedging derivatives, net of taxes (Note 14)	(74)	(44)	(404)
Revaluation reserve for land (Note 17)	(1,245)	1,231	11,311
Foreign currency translation adjustments	(3,343)	(3,165)	(29,082)
Remeasurements of defined benefit plans, net of taxes (Note 11)	5,738	3,870	35,560
Total accumulated other comprehensive income	109,858	76,428	702,270
Non-controlling interests:	1,967	3,758	34,531
Total net assets	722,390	753,916	6,927,465
Total liabilities and net assets	¥ 1,846,176	¥ 1,889,996	\$ 17,366,498

CONSOLIDATED STATEMENTS OF INCOME

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Revenue:			
Net sales (Note 16):			
Construction contracts	¥ 1,511,724	¥ 1,612,498	\$ 14,816,668
Real estate development (and other) (Note 10)	139,154	138,833	1,275,687
	1,650,878	1,751,331	16,092,355
Costs and expenses (Note 16):			
Cost of sales (Note 18)	1,409,418	1,492,654	13,715,464
Selling, general and administrative expenses (Note 18)	88,136	90,922	835,450
	1,497,554	1,583,576	14,550,914
Operating income (Note 16)	153,324	167,755	1,541,441
Other income (expenses):			
Interest and dividend income	4,526	5,221	47,974
Interest expenses	(1,278)	(1,112)	(10,218)
Taxes and dues	(445)	(222)	(2,040)
Commission expenses	(356)	(25)	(230)
Investment gain on equity method	1,283	1,070	9,832
Gains on sales of investment securities (Note 5)	153	497	4,567
Gains on sales of tangible fixed assets	1,642	1,185	10,888
Reversal of allowance for losses on Anti-Monopoly Act	1,565	3,043	27,961
Write-down of marketable and investment securities (Note 5)	(92)	(1,502)	(13,801)
Loss on disposal of fixed assets	(188)	(78)	(717)
Loss on investments in related companies	(167)	—	—
Impairment losses on fixed assets (Notes 10,16 and 19)	(340)	(1,338)	(12,294)
Other, net (Note 5)	1,150	291	2,674
	7,453	7,030	64,596
Income before income taxes	160,777	174,785	1,606,037
Income taxes (Note 9):			
Current	(43,594)	(51,474)	(472,976)
Deferred	(4,481)	(1,127)	(10,356)
	(48,075)	(52,601)	(483,332)
Net income	112,702	122,184	1,122,705
Net income (loss) attributable to non-controlling interests	(130)	(96)	(882)
Net income attributable to owners of parent	¥ 112,572	¥ 122,088	\$ 1,121,823

	Yen		U.S. Dollars (Note 1)
Amounts per share of common stock:			
Net income (Note 20)	¥ 511.90	¥ 573.14	\$ 5.27
Diluted net income (Note 20)	—	—	—
Cash dividends applicable to the year (Note 12)	130.00	130.00	1.20

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Net income	¥ 112,702	¥ 122,184	\$ 1,122,705
Other comprehensive income (Note 21):			
Unrealized holding gains on securities, net of taxes	10,205	(34,243)	(314,647)
Deferred gains (losses) on hedging derivatives, net of taxes	8	1	9
Foreign currency translation adjustments	(239)	236	2,169
Remeasurements of defined benefit plans, net of taxes	(3,351)	(1,881)	(17,284)
Share of other comprehensive income of associates accounted for by the equity method	(35)	46	423
Total other comprehensive income	6,588	(35,841)	(329,330)
Comprehensive income	¥ 119,290	¥ 86,343	\$ 793,375
Comprehensive income attribute to:			
Owners of parent	¥ 119,190	¥ 86,182	\$ 791,896
Non-controlling interests	100	161	1,479

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of Yen					Millions of Yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Noncontrolling interests	Total net assets
Balance at March 31, 2018	¥ 122,742	¥ 60,199	¥ 382,462	¥ (1,490)	¥ 563,913	¥ 98,579	¥ (115)	¥ (1,245)	¥ (3,058)	¥ 9,079	¥ 103,240	¥ 1,867	¥ 669,020
Dividends	—	—	(29,907)	—	(29,907)	—	—	—	—	—	—	—	(29,907)
Net income attributable to owners of parent	—	—	112,572	—	112,572	—	—	—	—	—	—	—	112,572
Acquisition of treasury stock	—	—	—	(36,014)	(36,014)	—	—	—	—	—	—	—	(36,014)
Sale of treasury stock	—	(0)	—	1	1	—	—	—	—	—	—	—	1
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes other than shareholders' equity, net	—	—	—	—	—	10,203	41	—	(285)	(3,341)	6,618	100	6,718
Balance at March 31, 2019	¥ 122,742	¥ 60,199	¥ 465,127	¥ (37,503)	¥ 610,565	¥ 108,782	¥ (74)	¥ (1,245)	¥ (3,343)	¥ 5,738	¥ 109,858	¥ 1,967	¥ 722,390
Dividends	—	—	(29,004)	—	(29,004)	—	—	—	—	—	—	—	(29,004)
Net income attributable to owners of parent	—	—	122,088	—	122,088	—	—	—	—	—	—	—	122,088
Acquisition of treasury stock	—	—	—	(28,013)	(28,013)	—	—	—	—	—	—	—	(28,013)
Sale of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	(2,476)	—	(2,476)	—	—	2,476	—	—	2,476	—	—
Changes of scope of consolidation	—	—	570	—	570	—	—	—	—	—	—	—	570
Changes other than shareholders' equity, net	—	—	—	—	—	(34,246)	30	—	178	(1,868)	(35,906)	1,791	(34,115)
Balance at March 31, 2020	¥ 122,742	¥ 60,199	¥ 556,305	¥ (65,516)	¥ 673,730	¥ 74,536	¥ (44)	¥ 1,231	¥ (3,165)	¥ 3,870	¥ 76,428	¥ 3,758	¥ 753,916

	Thousands of U.S. Dollars (Note 1)					Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Noncontrolling interests	Total net assets
Balance at March 31, 2019	\$ 1,127,832	\$ 553,147	\$ 4,273,886	\$ (344,602)	\$ 5,610,263	\$ 999,559	\$ (680)	\$ (11,440)	\$ (30,718)	\$ 52,724	\$ 1,009,445	\$ 18,074	\$ 6,637,782
Dividends	—	—	(266,507)	—	(266,507)	—	—	—	—	—	—	—	(266,507)
Net income attributable to owners of parent	—	—	1,121,823	—	1,121,823	—	—	—	—	—	—	—	1,121,823
Acquisition of treasury stock	—	—	—	(257,401)	(257,401)	—	—	—	—	—	—	—	(257,401)
Sale of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	(22,751)	—	(22,751)	—	—	22,751	—	—	22,751	—	—
Changes of scope of consolidation	—	—	5,237	—	5,237	—	—	—	—	—	—	—	5,237
Changes other than shareholders' equity, net	—	—	—	—	—	(314,674)	276	—	1,636	(17,164)	(329,926)	16,457	(313,469)
Balance at March 31, 2020	\$ 1,127,832	\$ 553,147	\$ 5,111,688	\$ (602,003)	\$ 6,190,664	\$ 684,885	\$ (404)	\$ 11,311	\$ (29,082)	\$ 35,560	\$ 702,270	\$ 34,531	\$ 6,927,465

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
	2019	2020	2020
Cash flows from operating activities:			
Income before income taxes	¥ 160,777	¥ 174,785	\$ 1,606,037
Depreciation and amortization	7,856	9,885	90,830
Impairment losses on fixed assets	340	1,338	12,294
Increase (decrease) in allowance for doubtful accounts	(37)	(213)	(1,957)
Increase (decrease) in allowance for losses on construction contracts ...	(6,632)	(492)	(4,521)
Increase (decrease) in net defined benefit liability	6,235	3,021	27,759
Increase (decrease) in allowance for losses on Anti-Monopoly Act ...	(1,565)	(3,043)	(27,961)
Interest and dividend income	(4,526)	(5,221)	(47,974)
Interest expenses	1,278	1,112	10,218
Write-down of marketable and investment securities	92	1,502	13,801
Gain (loss) on sale of marketable and investment securities	(123)	(452)	(4,153)
Loss on investments in related companies	167	—	—
Losses (gains) on sales of tangible fixed assets	(1,642)	(1,185)	(10,888)
Losses on disposal of fixed assets	188	78	717
Investment losses (gains) on equity method	(1,283)	(1,070)	(9,832)
Decrease (increase) in trade receivables	(99,707)	(72,326)	(664,578)
Decrease (increase) in cost on uncompleted contract	7,641	(12,382)	(113,774)
Decrease (increase) in inventories	(10,239)	(8,734)	(80,254)
Decrease (increase) in other inventories	(1,047)	1,854	17,036
Decrease (increase) in accounts receivables - other	11,545	10,955	100,662
Decrease (increase) in net defined benefit asset	(1,822)	(1,818)	(16,705)
Increase (decrease) in trade payables	(3,127)	(16,383)	(150,538)
Increase (decrease) in advances received and progress billings on uncompleted contracts	(48,947)	21,866	200,919
Increase (decrease) in deposits received	(27,110)	(8,607)	(79,087)
Increase (decrease) in accounts payable - other	(2,309)	22,866	210,108
Other, net	(5,592)	404	3,712
	(19,589)	117,740	1,081,871
Cash received (paid) during the year for:			
Interest and dividend received	4,972	5,966	54,819
Interest paid	(1,283)	(1,106)	(10,163)
Income taxes paid	(55,128)	(39,039)	(358,715)
Penalty payments associated with Anti-Monopoly Act	—	(6,086)	(55,922)
Net cash provided by (used in) operating activities	(71,028)	77,475	711,890
Cash flows from investing activities:			
Decrease (increase) in time deposits	(30,056)	30,166	277,185
Purchase of property, equipment and intangible assets	(46,645)	(12,991)	(119,370)
Proceeds from sale of property, equipment and intangible assets ...	9,478	23,435	215,336
Purchase of marketable and investment securities	(17,363)	(15,005)	(137,876)
Proceeds from sale of marketable and investment securities	2,117	14,789	135,891
Acquisition of shares of subsidiaries resulting in changes of scope of consolidation ...	—	(7,114)	(65,368)
Other, net	180	(19)	(175)
Net cash provided by (used in) investing activities	(82,289)	33,261	305,623
Cash flows from financing activities:			
Increase (decrease) in short-term loans	(9,380)	(1,523)	(13,994)
Proceeds from long-term loans	12,600	23,100	212,258
Repayment of long-term loans	(19,726)	(31,027)	(285,096)
Proceeds from long-term non-recourse loans	—	181	1,663
Repayment of long-term non-recourse loans	(2,950)	(8)	(74)
Redemption of bonds	(10,000)	—	—
Redemption of non-recourse bonds	(500)	—	—
Acquisition of treasury stock	(36,014)	(28,013)	(257,401)
Cash dividends paid, including those to minority interest	(29,906)	(29,004)	(266,507)
Other, net	(322)	(353)	(3,244)
Net cash provided by (used in) financing activities	(96,198)	(66,647)	(612,395)
Effect of exchange rate changes on cash and cash equivalents	(247)	244	2,242
Net increase (decrease) in cash and cash equivalents	(249,762)	44,333	407,360
Cash and cash equivalents at beginning of year	687,347	437,585	4,020,812
Increase (decrease) in cash and cash equivalents resulting from changes of scope of consolidation ...	—	737	6,772
Cash and cash equivalents at end of year (Note 3)	¥ 437,585	¥ 482,655	\$ 4,434,944

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

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, 2020, which was ¥ 108.83 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 42 subsidiaries for the year ended March 31, 2020 (32 subsidiaries for the year ended March 31, 2019).

TAIMEI KOGYO Co., Ltd. and other 2 companies were included in the scope of consolidation as their importance has increased.

Newly established TAISEI USA LLC and its other 8 subsidiaries were included in the scope of consolidation.

TAISEI CONSTRUCTION CORPORATION and other 1 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 17 non-consolidated subsidiaries, mainly consist of EHIME HOSPITAL PERTNERS Co., Ltd. and OMIYA CROSS POINT Co., Ltd. are accounted for by the equity method for the year ended March 31, 2020.

Investments in 41 affiliated companies are also accounted for by the equity method for the year ended March 31, 2020 (38 affiliated companies for the year ended March 31, 2019).

Newly established 3 companies and other 1 company being increased in importance were included in the scope of equity method.

1 company that was included in the scope of consolidation, 1 company whose shares were sold by the Company and another 2 companies that were liquidated were excluded from the scope of equity method.

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 19 consolidated subsidiaries have the same balance sheet date, March 31, corresponding with that of the Company. As for the 19 consolidated 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
MARCH 31, 2019 AND 2020

- (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 Consolidated Taxation System.
- (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) 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.
- (q) 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.
- (r) 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.
- (s) 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.
- (t) 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.
- (u) 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.

- (v) 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.
- (w) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System
Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company and part of its domestic subsidiaries, in accordance with the treatment in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020) , did not apply the provisions in paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.
- (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 (revised March 31, 2020), March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30 (revised March 31, 2020), 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.

3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2019 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Cash and time deposits	¥ 467,750	¥ 482,723	\$ 4,435,569
Less: Time deposits with maturities exceeding three months	(30,165)	(68)	(625)
Cash and cash equivalents	¥ 437,585	¥ 482,655	\$ 4,434,944

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, 2019 and 2020, 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
MARCH 31, 2019 AND 2020

	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	—	—	—
Deposits received	155,030	155,030	—
Straight bonds	40,000	40,394	(394)
Long-term loans	86,472	87,196	(724)
Long-term non-recourse loans	—	—	—
[Derivative financial instruments (*)]	1	1	—

	Millions of Yen		
	2020		
	Book Value	Fair Value	Difference
[ASSETS]			
Cash and time deposits	¥ 482,723	¥ 482,723	¥ —
Notes and accounts receivable, trade	615,037	615,046	9
Investment securities			
Debt securities intended to be held to maturity	281	288	7
Available-for-sale securities	253,004	253,004	—
[LIABILITIES]			
Notes and accounts payable, trade	491,569	491,569	—
Short-term loans and long term loans due within one year	87,934	88,033	(99)
Short-term non-recourse loans payable	15	15	(0)
Straight bonds due within one year	10,000	10,040	(40)
Deposits received	146,540	146,540	—
Straight bonds	30,000	30,166	(166)
Long-term loans	80,038	80,572	(534)
Long-term non-recourse loans	158	174	(16)
[Derivative financial instruments (*)]	12	12	—

	Thousands of U.S. dollars		
	2020		
	Book Value	Fair Value	Difference
[ASSETS]			
Cash and time deposits	\$ 4,435,569	\$ 4,435,569	\$ —
Notes and accounts receivable, trade	5,651,355	5,651,438	83
Investment securities			
Debt securities intended to be held to maturity	2,582	2,646	64
Available-for-sale securities	2,324,763	2,324,763	—
[LIABILITIES]			
Notes and accounts payable, trade	4,516,852	4,516,852	—
Short-term loans and long term loans due within one year	807,994	808,904	(910)
Short-term non-recourse loans payable	138	138	(0)
Straight bonds due within one year	91,886	92,254	(368)
Deposits received	1,346,504	1,346,504	—
Straight bonds	275,659	277,185	(1,526)
Long-term loans	735,441	740,347	(4,906)
Long-term non-recourse loans	1,452	1,599	(147)
[Derivative financial instruments (*)]	110	110	—

(*) Note: The assets and liabilities are reported as net amounts.

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, Long-term loans and Long-term non-recourse 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 ¥ 67,762 million and ¥ 64,337 million (\$ 591,170 thousand) as of March 31, 2019 and 2020, 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, 2019 and 2020 were as follows:

	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

	Millions of Yen		
	2020		
	Due within one year	Due after one year but within five years	Due after five years but within ten years
Time deposits	¥ 482,344	¥ —	¥ —
Notes and accounts receivable, trade	606,082	8,955	—
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	12	260	9
Available-for-sale securities			
Government bonds	0	—	—
Total	¥ 1,088,438	¥ 9,215	¥ 9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

	Thousands of U.S. Dollars		
	2020		
	Due within one year	Due after one year but within five years	Due after five years but within ten years
Time deposits	\$ 4,432,087	\$ —	\$ —
Notes and accounts receivable, trade	5,569,071	82,284	—
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	110	2,389	83
Available-for-sale securities			
Government bonds	0	—	—
Total	\$ 10,001,268	\$ 84,673	\$ 83

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, 2019 and 2020:

(a) Debt securities intended to be held to maturity:

· Securities with fair value exceeding book value

Type	Millions of Yen		
	2019		
	Book value	Fair value	Difference
Government bonds	¥ 619	¥ 631	¥ 12

Type	Millions of Yen			Thousands of U.S. Dollars		
	2020			2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 281	¥ 288	¥ 7	\$ 2,582	\$ 2,646	\$ 64

Securities with fair value not exceeding book value were not applicable as of March 31, 2019 and 2020.

(b) Available-for-sale securities:

· Securities with book value exceeding acquisition costs

Type	Millions of Yen		
	2019		
	Book value	Acquisition cost	Difference
Equity securities	¥ 281,476	¥ 122,456	¥ 159,020
Government bonds	—	—	—
Others	1,104	642	462
Total	¥ 282,580	¥ 123,098	¥ 159,482

Type	Millions of Yen			Thousands of U.S. Dollars		
	2020			2020		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 210,090	¥ 94,597	¥ 115,493	\$ 1,930,442	\$ 869,218	\$ 1,061,224
Government bonds	—	—	—	—	—	—
Others	595	346	249	5,467	3,179	2,288
Total	¥ 210,685	¥ 94,943	¥ 115,742	\$ 1,935,909	\$ 872,397	\$ 1,063,512

· Securities with book value not exceeding acquisition costs

Type	Millions of Yen		
	2019		
	Book value	Acquisition cost	Difference
Equity securities	¥ 16,551	¥ 19,284	¥ (2,733)
Government bonds	1	1	(0)
Others	114	114	(0)
Total	¥ 16,666	¥ 19,399	¥ (2,733)

Type	Millions of Yen			Thousands of U.S. Dollars		
	2020			2020		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 41,919	¥ 50,231	¥ (8,312)	\$ 385,179	\$ 461,555	\$ (76,376)
Government bonds	0	0	(0)	0	0	(0)
Others	400	410	(10)	3,675	3,767	(92)
Total	¥ 42,319	¥ 50,641	¥ (8,322)	\$ 388,854	\$ 465,322	\$ (76,468)

(2) Total sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2019 and 2020 were as follows:

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	Millions of Yen		
	2020		
	Equity securities	Others	Total
Total amount of available-for-sale securities sold	¥ 801	¥ —	¥ 801
Gains on sales of available-for-sale securities	497	—	497
Losses on sales of available-for-sale securities	45	—	45

Type	Thousands of U.S. Dollars		
	2020		
	Equity securities	Others	Total
Total amount of available-for-sale securities sold	\$ 7,360	\$ —	\$ 7,360
Gains on sales of available-for-sale securities	4,567	—	4,567
Losses on sales of available-for-sale securities	414	—	414

(3) Impairment losses on securities

The Group recognized impairment losses on the following securities for the years ended March 31, 2019 and 2020 were as follows:

Type	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Write-down of investment securities	¥ 92	¥ 1,502	\$ 13,801

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

6. Pledged Assets

The following assets were pledged principally as collateral for loans of companies which were subsidiaries and affiliates as of March 31, 2019 and 2020:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Investment securities	¥ 2,876	¥ 2,490	\$ 22,880
Other assets	1,739	1,869	17,173
Total	¥ 4,615	¥ 4,359	\$ 40,053

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 for the year ended March 31, 2019, 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
	2019	2020	2020
Notes receivable (Trade)	¥ 315	¥ —	\$ —
Electronically recorded monetary claims	164	—	—
Notes receivable (Other)	29	—	—
Notes payable (Trade)	5,606	—	—
Electronically recorded obligations	30,407	—	—
Notes payable (Other)	13	—	—
Electronically recorded obligations (Other)	1	—	—

8. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2019 and 2020 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term loans as of March 31, 2019 and 2020 were 0.4% 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, 2019 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Bonds and notes:			
Issued by the Company:			
0.67% yen bonds due in 2020	¥ 10,000	¥ 10,000	\$ 91,886
0.14% yen bonds due in 2022	10,000	10,000	91,886
0.527% yen bonds due in 2022	10,000	10,000	91,886
0.38% yen bonds due in 2027	10,000	10,000	91,886
Loans, principally from banks and insurance companies:			
Secured loans (*1)	—	173	1,590
Unsecured loans	117,499	109,571	1,006,809
Capital lease	695	651	5,983
	158,194	150,395	1,381,926
Amount due within one year	(31,344)	(39,789)	(365,607)
Total long-term debt (due after one year)	¥ 126,850	¥ 110,606	\$ 1,016,319

(*) Note 1: These are non-recourse liabilities for the Group.

The annual interest rates applicable to long-term loans due within one year averaged 0.7% and 0.6% as of March 31, 2019 and 2020, respectively, and the annual interest rates applicable to long-term loans due after one year averaged 0.6% and 0.5% as of March 31, 2019 and 2020, respectively.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2020 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 39,789	\$ 365,607
2022	22,082	202,904
2023	50,691	465,781
2024	12,349	113,470
2025	15,377	141,294
2026 and thereafter	10,107	92,870
Total	¥ 150,395	\$ 1,381,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

9. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes.

The reconciliations for the year ended March 31, 2019 and 2020 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, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Net defined benefit liability	¥ 37,037	¥ 37,436	\$ 343,986
Inventories	8,188	9,399	86,364
Accrued bonuses	7,148	7,357	67,601
Fixed assets	2,537	2,469	22,687
Advances received	2,180	983	9,033
Others	7,484	6,440	59,175
Tax loss carryforward	776	521	4,787
Unrealized profits	7,414	7,429	68,262
Sub-total	72,764	72,034	661,895
Valuation allowance	(4,348)	(3,921)	(36,029)
Total	68,416	68,113	625,866
Deferred income tax liabilities:			
Unrealized holding gains on securities	(47,948)	(32,861)	(301,948)
Gains on securities contribution to employee retirement benefit trust	(17,711)	(17,711)	(162,740)
Net defined benefit asset	(3,920)	(3,599)	(33,070)
Others	(1,121)	(1,436)	(13,195)
Total	(70,700)	(55,607)	(510,953)
Net total	¥ (2,284)	¥ 12,506	\$ (114,913)

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥ 3,286 million and ¥ 3,280 million (\$ 30,139 thousand) as of March 31, 2019 and 2020 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 ¥ 4,040 million and ¥ 3,728 million (\$ 34,255 thousand) at the year ended March 31, 2019 and 2020, respectively. Rental income is mainly booked in Real estate development and other of Net sales, 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, 2019 and 2020 were as follows:

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
Millions of Yen			
2020			
Book value			Fair value
April 1, 2019	Increase (decrease)	March 31, 2020	March 31, 2020
¥ 109,718	¥ (15,712)	¥ 94,006	¥ 126,507
Thousands of U.S. Dollars			
2020			
Book value			Fair value
April 1, 2019	Increase (decrease)	March 31, 2020	March 31, 2020
\$ 1,008,160	\$ (144,372)	\$ 863,788	\$ 1,158,293

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 years ended March 31, 2019 and 2020 were acquisition of fixed assets ¥ 36,460 million and ¥ 9,123 million (\$ 83,828 thousand), respectively.

The main reason of decrease for the year ended March 31, 2019 was sales of fixed assets ¥ 7,686 million. The main reasons of decrease for the year ended March 31, 2020 were sales of fixed assets ¥ 21,516 million (\$ 197,703 thousand) and impairment losses on fixed assets ¥ 1,110 million (\$ 10,199 thousand).

Note 3: The book value as of March 31, 2019 and 2020 included asset retirement obligations of ¥ 199 million and ¥ 192 million (\$ 1,764 thousand), respectively.

Note 4: The fair value of investment and rental property as of March 31, 2019 and 2020 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
	2019	2020	2020
Balance at beginning of the year	¥ 143,380	¥ 139,848	\$ 1,285,013
Current service cost	6,454	6,398	58,789
Interest cost	877	767	7,048
Actuarial loss (gain)	447	(2,983)	(27,410)
Benefits paid	(10,741)	(9,751)	(89,598)
Past service costs	(808)	(183)	(1,682)
Other	239	197	1,810
Balance at end of the year	¥ 139,848	¥ 134,293	\$ 1,233,970

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
MARCH 31, 2019 AND 2020

(2) Movements in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Balance at beginning of the year	¥ 117,153	¥ 109,213	\$ 1,003,519
Expected return on plan assets	2,457	2,034	18,690
Actuarial loss (gain)	(4,582)	(3,500)	(32,160)
Contributions paid by the employer	1,060	1,107	10,172
Benefits paid	(5,811)	(5,400)	(49,619)
Other	(1,064)	(1,001)	(9,198)
Balance at end of the year	¥ 109,213	¥ 102,453	\$ 941,404

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Funded retirement benefit obligations	¥ 136,731	¥ 130,762	\$ 1,201,525
Plan assets	(109,213)	(102,453)	(941,404)
	27,518	28,309	260,121
Unfunded retirement benefit obligations	3,117	3,531	32,445
Net total at year-end	30,635	31,840	292,566
Net defined benefit liability	42,022	45,045	413,902
Net defined benefit asset	(11,387)	(13,205)	(121,336)
Net total at year-end	¥ 30,635	¥ 31,840	\$ 292,566

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Current service cost	¥ 6,454	¥ 6,398	\$ 58,789
Interest cost	877	767	7,048
Expected return on plan assets	(2,457)	(2,034)	(18,690)
Net actuarial loss amortization	721	(993)	9,124
Past service costs amortization	(1,334)	(1,388)	(12,754)
Other	6	13	119
Total retirement benefit expenses for the year	¥ 4,267	¥ 2,763	\$ 25,388

(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
	2019	2020	2020
Past service costs	¥ (526)	¥ (1,205)	\$ (11,072)
Actuarial loss (gain)	(4,309)	(1,510)	(13,875)
Total balance as of March 31, 2019 and 2020	¥ (4,835)	¥ (2,715)	\$ (24,947)

(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
	2019	2020	2020
Unrecognized past service costs	¥ (5,842)	¥ (4,637)	\$ (42,608)
Unrecognized actuarial loss (gain)	(2,451)	(941)	(8,646)
Total balance as of March 31, 2019 and 2020	¥ (8,293)	¥ (5,578)	\$ (51,254)

(7) Plan assets

	2019	2020
① Plan assets comprise:		
Equity securities	46%	42%
Bonds	21	24
General accounts	18	19
Special accounts	3	3
Short-term assets	1	1
Other	11	11
Total	100%	100%

The retirement benefit trust established for corporate pension plans accounted for 40% and 40% of total plan assets, for the fiscal year ended March 31, 2019 and 2020, 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, 2019 and 2020 were as follows:

	2019	2020
Discount rate		
The Company and its consolidated domestic subsidiaries	0.4~1.5	0.4~1.5
Consolidated overseas subsidiaries	7.5~8.0	4.8~8.0
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 ¥ 2,550 million and ¥ 2,591 million (\$ 23,808 thousand), for the fiscal year ended March 31, 2019 and 2020, 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.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2019 and 2020 were 6,420 thousand shares and 13,231 thousand shares, respectively.

Total annual dividends per share as of March 31, 2020 is ¥ 130.00 (U.S. \$ 1.20), which is the sum of the interim dividend per share of ¥ 65.00 (U.S. \$ 0.60) and the year-end dividend per share of ¥ 65.00 (U.S. \$ 0.60).

13. Lease Transactions

Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Due within one year	¥ 4,972	¥ 4,707	\$ 43,251
Due after one year	16,747	15,916	146,246
Total	¥ 21,719	¥ 20,623	\$ 189,497

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
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(b) Lesser
Future minimum lease receipts as of March 31, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Due within one year	¥ 3,549	¥ 3,336	\$ 30,654
Due after one year	16,708	13,665	125,562
Total	¥ 20,257	¥ 17,001	\$ 156,216

14. Derivative Transactions

(1) Derivative transactions of the Company and its consolidated subsidiaries as of March 31, 2019 and 2020 were as follows:

① Derivative transactions which were not accounted for by the hedge accounting

· Currency-related transactions
Corresponding derivative transactions for the year ended March 31, 2019 were not applicable. Information for the year ended March 31, 2020 was as follows:

Over-the counter transactions

	Millions of Yen			
	2020			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 1,776	¥ —	¥ 9	¥ 9

Note: Fair value was determined at the quoted price obtained from the counterparty financial institutions.

② Derivative transactions which were accounted for by the hedge accounting as of March 31, 2019 and 2020 were as follows:

· Currency related transactions
Main items hedged by forward foreign exchange contracts are accounts payable for construction contracts.

	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

	Millions of Yen		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Forward foreign exchange contract (short commitment) to sell U.S. dollars	¥ 706	¥ 233	¥ 2

	Thousands of U.S. Dollars		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Forward foreign exchange contract (short commitment) to sell U.S. dollars	\$ 6,487	\$ 2,140	\$ 18

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		
	2019		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	¥ 43,110	¥ 27,890	¥ —

	Millions of Yen		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	¥ 39,030	¥ 28,700	¥ —

	Thousands of U.S. Dollars		
	2020		
	Contract amount		
	Total	Due after one year	Fair value
Interest rate swaps receive floating rate, pay fixed rate	\$ 358,633	\$ 263,714	\$ —

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, 2019 and 2020.

The Company's consolidated subsidiaries had the following transaction with related individuals, including shareholders and directors, for the years ended March 31, 2019 and 2020.

	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) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company				
(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.

	Millions of yen			
	2020			
	Transactions during the year ended March 31, 2020		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company				
(a) Eri Teramoto (b) Close relative of the executive officer of the Corporation (c) — (d) —	Housing construction by Taisei Housing Co., Ltd.	¥ 44	Advances received and progress billings on uncompleted contracts	¥ 11

	Thousands of U.S. Dollars			
	2020			
	Transactions during the year ended March 31, 2020		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company				
(a) Eri Teramoto (b) Close relative of the executive officer of the Corporation (c) — (d) —	Housing construction by Taisei Housing Co., Ltd.	\$ 404	Advances received and progress billings on uncompleted contracts	\$ 101

Notes 1. Consumption taxes were not included in the transaction amounts and the balance at the end of the year.
2. Transaction conditions and policies to decide transaction conditions
The transaction price of housing construction 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
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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 oversea 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, 2019 and 2020 was as follows:

Millions of Yen							
2019							
Reportable segments							
	Civil engineering	Construction contracts	Real estate development	Others	Total	Adjustments	Consolidated
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)	¥ —	¥ —	¥ (6,632)	¥ —	¥ (6,632)

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 included intersegment elimination of dividend income amounting to ¥ 1,433 million and amortization of goodwill amounting to ¥ 83 million.

3. Segment operating income was adjusted against operating income of Consolidated Statement of Income.

Millions of Yen							
2020							
Reportable segments							
	Civil engineering	Construction contracts	Real estate development	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	¥ 459,110	¥ 1,168,446	¥ 112,423	¥ 11,352	¥ 1,751,331	¥ —	¥ 1,751,331
Intersegment	31,995	56,389	5,909	3,081	97,374	(97,374)	—
Total	491,105	1,224,835	118,332	14,433	1,848,705	(97,374)	1,751,331
Operating income	¥ 71,380	¥ 82,685	¥ 12,560	¥ 1,203	¥ 167,828	¥ (73)	¥ 167,755
Depreciation and amortization	¥ 3,854	¥ 3,342	¥ 2,607	¥ 135	¥ 9,938	¥ (53)	¥ 9,885
Increase (decrease) in allowance for losses on construction contracts ...	¥ (496)	¥ 4	¥ —	¥ —	¥ (492)	¥ —	¥ (492)

Thousands of U.S. Dollars

2020							
Reportable segments							
	Civil engineering	Construction contracts	Real estate development	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	\$ 4,218,598	\$ 10,736,433	\$ 1,033,015	\$ 104,309	\$ 16,092,355	\$ —	\$ 16,092,355
Intersegment	293,990	518,138	54,295	28,311	894,734	(894,734)	—
Total	4,512,588	11,254,571	1,087,310	132,620	16,987,089	(894,734)	16,092,355
Operating income	\$ 655,885	\$ 759,763	\$ 115,410	\$ 11,054	\$ 1,542,112	\$ (671)	\$ 1,541,441
Depreciation and amortization	\$ 35,413	\$ 30,708	\$ 23,955	\$ 1,241	\$ 91,317	\$ (487)	\$ 90,830
Increase (decrease) in allowance for losses on construction contracts	\$ (4,558)	\$ 37	\$ —	\$ —	\$ (4,521)	\$ —	\$ (4,521)

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 ¥ 73 million (\$ 671 thousand) included intersegment elimination amounting to ¥ 30 million (\$ 276 thousand) and amortization of goodwill amounting to ¥ 43 million (\$ 395 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, 2019 and 2020.

(b) Information about geographic areas

· Net sales

The information about net sales was not presented for the years ended March 31, 2019 and 2020 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, 2019 and 2020 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, 2019 and 2020 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, 2019 and 2020 was as follows:

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

Millions of Yen						
2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Impairment losses on fixed assets	¥ 218	¥ —	¥ 1,120	¥ —	¥ —	¥ 1,338

Thousands of U.S. Dollars						
2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Impairment losses on fixed assets	\$ 2,003	\$ —	\$ 10,291	\$ —	\$ —	\$ 12,294

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

(e) Information about amortization and unamortized balance of goodwill of reportable segment for the years ended March 31, 2019 and 2020 was as follows:

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

Millions of Yen						
2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Amortization of goodwill	¥ —	¥ 43	¥ —	¥ —	¥ —	¥ 43
Unamortized balance of goodwill	¥ —	¥ 129	¥ —	¥ —	¥ —	¥ 129

Thousands of U.S. Dollars						
2020						
Reportable segments						
	Civil engineering	Construction contracts	Real estate development	Others	Elimination and/or corporate	Total
Amortization of goodwill	\$ —	\$ 395	\$ —	\$ —	\$ —	\$ 395
Unamortized balance of goodwill	\$ —	\$ 1,185	\$ —	\$ —	\$ —	\$ 1,185

(f) Information about gains on negative goodwill of reportable segment
Information about gains on negative goodwill for the year ended March 31, 2019 was not applicable, and for the year ended March 31, 2020, a description is omitted because the amount is immaterial.

17. 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, 2019 and 2020 was ¥ 2,472 million and ¥ 3,609 million (\$ 33,162 thousand), respectively (including the excess amount of ¥ 1,285 million and ¥ △40 million (\$ △368 thousand) related to investment and rental property as of March 31, 2019 and 2020, respectively).

18. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥ 12,472 million and ¥ 13,564 million (\$ 124,634 thousand) for the years ended March 31, 2019 and 2020, respectively.

19. Impairment Losses on Fixed Assets

Impairment losses on fixed assets for the years ended March 31, 2019 and 2020 consisted of the following:

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)

2020		
Use	Type of assets	Location
Rental property	Building and Land	Chiba (1 lot)
Assets for business use	Land and others	Osaka and the other (2 lots)
Idle assets	Building and Land	Kanagawa (2 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
	2019	2020	2020
Assets for business use			
Buildings and structures	¥ 13	¥ —	\$ —
Land	—	177	1,627
Machinery and equipment	35	—	—
Others	3	7	64
Subtotal	51	184	1,691
Rental property			
Buildings and structures	—	649	5,963
Land	126	471	4,328
Subtotal	126	1,120	10,291
Idle assets			
Buildings and structures	—	4	37
Land	—	30	275
Machinery and equipment	163	—	—
Subtotal	163	34	312
Total	¥ 340	¥ 1,338	\$ 12,294

The recoverable amount of the fixed assets for the year ended March 31, 2019 and 2020 was their net realizable value mainly based on amount determined by the sales contract price.

20. Per Share Data

Net assets per share and net income per share as of and for the years ended March 31, 2019 and 2020 were as follows:

	Yen		U.S. Dollars
	2019	2020	2020
Net assets per share	¥ 3,302.86	¥ 3,550.03	\$ 32.62
Net income per share	511.90	573.14	5.27
Diluted net income per share	—	—	—

Diluted net income per share for the years ended March 31, 2019 and 2020 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, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Basic net income per share			
Net income attributable to owners of parent	¥ 112,572	¥ 122,088	\$ 1,121,823
Net income not available to common stock holders	—	—	—
Net income attributable to owners of parent available to common stock	112,572	122,088	1,121,823
Average common stock outstanding (in thousands share)	219,910	213,016	1,957,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

TAISEI CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2019 AND 2020

21. 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
	2019	2020	2020
Unrealized holding gains on securities			
Amount incurred	¥ 14,697	¥ (50,739)	\$ (466,223)
Recycling	10	1,408	12,938
Before Tax	14,707	(49,331)	(453,285)
Tax effect	(4,502)	15,088	138,638
Unrealized holding gains on securities, net of taxes	10,205	(34,243)	(314,647)
Deferred gains or losses on hedging derivatives			
Amount incurred	23	3	27
Recycling	(12)	(2)	(18)
Before Tax	11	1	9
Tax effect	(3)	(0)	(0)
Unrealized gains or losses on hedging derivatives, net of taxes	8	1	9
Foreign currency translation adjustments			
Amount incurred	(246)	175	1,608
Recycling	7	61	561
Foreign currency translation adjustments	(239)	236	2,169
Remeasurements of defined benefit plans			
Amount incurred	(4,222)	(334)	(3,069)
Recycling	(613)	(2,381)	(21,878)
Before Tax	(4,835)	(2,715)	(24,947)
Tax effect	1,484	834	7,663
Remeasurements of defined benefit plans, net of taxes	(3,351)	(1,881)	(17,284)
Share of other comprehensive income of associates accounted for by the equity method			
Amount incurred	(35)	46	423
Total other comprehensive income	¥ 6,588	¥ (35,841)	\$ (329,330)

22. 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 13, 2020, 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 5,000,000 stocks (2.37% of the total outstanding stocks excluding treasury stock)

(c) Total cost of acquisition: Up to ¥ 10,000 million (\$ 91,886 thousand)

(d) Period of acquisition: From May 14, 2020 to September 30, 2020

Independent Auditor’s Report



Independent auditor’s report

To the Board of Directors of Taisei Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Taisei Corporation and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation and maintenance of the Group’s financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan. Our firm and its designated engagement partners do not have any interest in the Group which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

 
Hiroto Kaneko

Designated Engagement Partner

Certified Public Accountant

 
Katsunori Tsukahara

Designated Engagement Partner

Certified Public Accountant

 
Daijiro Otsu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 24, 2020

Human Resources Data (Non-Consolidated and Partially Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Number of employees (Consolidated)	13,977	14,032	14,433	14,562	Persons
Male (Consolidated)	11,734	11,718	11,906	11,971	
Female (Consolidated)	2,243	2,314	2,527	2,590	
Japanese employees (Consolidated)	13,259	13,322	13,567	13,658	Persons
Non-Japanese employees (Consolidated)	718	710	866	904	Persons
Number of employees	8,415	8,501	8,490	8,507	
Male	6,945	6,977	6,949	6,937	
Female	1,470	1,524	1,541	1,570	Persons
Japanese	8,337	8,413	8,391	8,394	
Non-Japanese	78	88	99	113	
Twenties	15.0	15.9	16.5	17.1	%
Thirties	18.4	18.3	19.0	19.2	
Forties	38.2	34.3	30.1	26.3	
Fifties or more	28.4	31.4	34.4	37.4	Years old
Average age	42.9	43.0	43.0	43.0	
Male	43.1	43.2	43.3	43.3	
Female	41.7	41.7	41.8	41.8	Years
Average service years	18.3	18.3	18.3	18.3	
Male	18.6	18.6	18.6	18.7	
Female	17.1	16.7	16.6	16.5	Persons
Number of hires (new graduates)	296	283	251	264	
Male	244	228	207	215	
Female	52	55	44	49	Persons
Number of mid-career hires	51	19	30	27	
Male	42	17	29	22	
Female	9	2	1	5	Thousand yen
Average annual salary	9,500	9,872	10,512	10,103	%
Turnover rate	1.1	1.0	1.1	1.2	
Turnover rate of employees within three years of hiring ★KPI	5.0	4.3	5.4	7.4	

Diversity and Inclusion Data (Non-Consolidated and Partially Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Number of female managers ★KPI	62	83	167	197	Persons
Female managers ratio	1.2	1.7	3.2	3.8	%
Number of engineers	7,100	7,208	7,282	7,356	Persons
Male	6,516	6,587	6,619	6,658	
Female ★KPI	584	621	663	698	
Number of non-regular employees	1,220	1,118	1,134	1,173	Persons
Number of employees promoted from non-regular employees to regular employees	251	42	45	28	Persons
Rate of employment of handicapped persons	2.05	2.07	2.33	2.35	%
Number of employees reemployed after leave retirement	663	663	739	800	Persons
Number of employees reemployed after leave retirement (Taisei Group)	—	1,226	1,367	1,465	
Number of former employees who took advantage of the Job-Return system*	15	1	2	2	

* A system under which employees who have voluntarily retired due to unavoidable reasons such as a spouse's transfer are rehired at their own request.

Childcare and Nursing Care Data (Non-Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Number of employees taking leave for childcare	44	289	281	282	Persons
Male	4	243	244	241	
Female	40	46	37	41	
Rate of taking childcare leave	16.1	94.8	94.9	100	%
Male ★KPI	1.7	93.8	94.2	100	
Female	100	100	100	100	
Rate of return to work after childcare leave	100	98.1	100	98.1	%
Male	100	100	100	100	
Female	100	97.5	100	97.8	
Number of employees taking nursing care leave	2	3	0	1	Persons
Male	2	3	0	0	
Female	0	0	0	1	

Data on Working Hours, Holidays, and Leave (Non-Consolidated and Partially Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Total hours worked per month	194.0	192.9	192.8	193.9	Hours
Average overtime hours per month ★KPI	38.4	37.5	37.8	39.0	
Rate of paid leave utilization	37.3	42.9	47.5	46.2	
Rate of paid leave utilization (Taisei Group)	—	41.4	48.5	49.7	%
Rate of milestone leave utilization	93.6	97.8	94.0	84.5	
Rate of refresh leave utilization	89.1	89.1	92.2	91.9	

Training and Career Data (Non-Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Total training hours for capacity development	—	—	—	261,059	Hours
Training hours per person	44.7	32.8	36.6	30.5	
Training hours per person for new employees	—	—	38.8	38.8	
Number of employees who participated in training at overseas worksites and research institutes	10	14	22	13	Persons

Data on Health, Safety, and Labor Relations (Non-Consolidated and Partially Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Accident frequency rate	0.47	0.41	0.42	0.62	Cases
Accident frequency rate (Taisei Group)	0.53	0.44	0.58	0.65	
Accident severity rate	0.06	0.22	0.14	0.26	
Number of occupational accident leaves (excluding fatal accidents)	77	55	50	74	Cases
Number of fatal accidents ★KPI	1	1	2	4	
Health exam participation rate	100	100	100	100	
Health exam participation rate (Taisei Group)	—	99.7	99.8	99.6	%
Implementation rate of stress checks	89.7	87.2	89.8	90.2	
Labor union participation rate	100	100	100	100	

Data on Information Security and Intellectual Property (Non-Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Number of major information security accidents* ★KPI	0	0	0	0	Cases
Number of information security education sessions	16	15	19	5	Times
Number of patents registered ★KPI	232	191	250	169	Cases
Number of patent applications filed ★KPI	304	235	219	188	

* Number of publicly disclosed accidents

Data on Environmental and Social Contribution (Non-Consolidated and Partially Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Total CO ₂ Emissions	231	245	260	267	10 ³ t-CO ₂
Total CO ₂ Emissions (Taisei Group)	332	340	360	380	
At construction stage: Reduction rate of CO ₂ emissions per construction cost (intensity)* ¹ ★KPI	23.3	28.4	28.9	32.0	
At construction stage: Reduction rate of total CO ₂ emissions* ¹ ★KPI	51.9	48.4	44.7	43.7	%
At building operation stage: Reduction rate of estimated CO ₂ emissions* ^{1, 2} ★KPI	38.9	48.1	40.2	39.5	
Final disposal rate of construction wastes ★KPI	3.5	3.2	3.4	3.9	
Number of proposals and deployment of biodiversity-related technologies ★KPI	42	52	35	46	Projects
Number of environmental accidents ★KPI	0	0	0	1	Cases
Expenditures for social contribution activities	653	655	700	838	Million yen

*¹ Compared to FY1990 (a base year for emissions targets)

*² Estimated CO₂ emissions from design and construction projects at the building operation stage (including dissemination and promotion of ZEB)

Quality and Productivity Data (Non-Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Customer satisfaction (Civil Engineering) ★KPI	80	95	96	98	%
Customer satisfaction (Building Construction) ★KPI	90	90	92	88	
Worksite registration rate of Construction Career Up System ★KPI	—	—	—	75	
Productivity* (Net sales/number of employees) ★KPI	100	107	111	117	

* The actual result for FY2016 is set at 100.

Data on Human Rights / CSR / Compliance and CSR Procurement (Non-Consolidated)

Key Indicators	2016	2017	2018	2019	Unit
Response rate of Corporate Ethics Helpline and Group Helpline ★KPI	100	100	100	100	%
Attendance rate at compliance training	100	100	100	100	
Average implementation rate of CSR activities by suppliers* ★KPI	62.6	—	74.2	—	

* Questionnaire survey for suppliers in FY2019 was absent due to biennial implementation.

● See Taisei Corporation's website for non-financial data definition: <https://www.taisei.co.jp/english/csr/management/kpi/>



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Challenges in the Post-COVID-19 Era

In 2020, the Japanese economy was also greatly affected by the coronavirus pandemic, and under the declaration of a state of emergency, most businesses suspended physical operations and introduced telecommuting. Taisei Corporation also switched to telecommuting, mainly in its departments for office work. In the post-COVID-19 era, the ideal form of business will be redefined. Taisei Corporation also needs to think about how it can contribute to the creation of a sustainable society and establish a new business style under the new normal, rather than simply go back to how things were. The Company is required to take concrete measures to address SDGs, particularly challenges that need to be reconsidered, such as measures to tackle global environmental issues and work style reform. Although it was difficult for the Company to show the direction in this report due to the lack of time, the true value of its efforts to address these challenges will be tested amid the severe economic environment under the new Medium-term Business Plan starting from the next fiscal year.

To work on work style reform, Taisei Corporation has been promoting various initiatives for several years. In addition to reducing scheduled working hours, the Company reviewed the entire business process and is promoting the introduction of new systems utilizing ICT to increase productivity. For example, the Company has reviewed the entire process from design to construction work, is pushing forward with the work style reform undertaken by the entire industry under the amended new three acts on responsible personnel (Act on Promoting Quality Assurance in Public Works, Construction Business Act, and Act for Promoting Proper Tendering and Contracting for Public Works), and promoting various initiatives by Soyukai. Furthermore, now that the employees have become familiar with how they should balance their work and family time through hands-on experience with the telework system this time, the Company is required to review their job responsibilities and how to evaluate them. I hope that the policies and results of the new initiatives will be presented on the website or in the Company's report for next year.

Challenges for Achieving Sustainability

The President mentions a “sustainable company” in his message, but what kind of company does this refer to in Taisei Corporation's case, and how are they going to develop into such a company? The Company needs to reconsider the answers to those questions.

Instead of discussing social issues, such as those described in the SDGs, as individual topics, the future direction of how these issues are going to relate to Taisei Corporation's businesses and create value should be clarified.

How can the vision on page 9, “Solving social issues through our business is the starting point for our value creation,” be realized? In particular, I still sense some gaps between the vision and the explanations of the business strategies described in each part of the “Business Section.” They have to go one step further and explain how the concept is integrated into each business strategy. I hope that the CSR Committee, which serves as a forum for discussing how individual Business Sections are involved in the achievement of the major corporate philosophy, will review its role once again and take the lead by indicating the future course of the Company.

An important aspect of the annual report, which I have noted for the past two years, is to show how the financial goals set in the Medium-term Business Plan are related to those of the non-financial ESG. The ESG Section is easier to understand than last year, but what is important is not just to explain each one individually, but to show specifically how individual activities are contributing to the creation of new value and achievement of business results. This is an important and challenging issue not only for Taisei Corporation, but for any company. An annual report should have a storyline as a whole.

Innovation to Create the Future

In their efforts to address important ESG issues (materiality) and the challenge of “stimulating the future” (pp.23-24), I hope that the Company will engage with stakeholders concerned (not only through having conventional dialogues as reported on p.11 and face-to-face discussions) to obtain new ideas for solving specific issues and tips that are helpful for making innovations. After engaging with stakeholders, the ideas obtained thereby and specific goals or commitments should be clarified, verified and incorporated into the next fiscal year's plan. Another effective method, I think, is to enumerate a few more key environmental and social performance indicators, as they do for financial performance, and show more clearly the overall goals and outcomes.

Lastly, as I mentioned in the report for the previous year, obtaining and developing new human resources that have a global mindset and a sustainability mindset is becoming increasingly essential to move forward with new initiatives in the future. This will be one of the important challenges for Taisei Corporation. To address the challenge of “stimulating the future” in 2030 and beyond, the Company needs people who can engage, communicate and make innovations with people who have different values. Mapping out strategies to acquire new human resources is one of the challenges for the future.

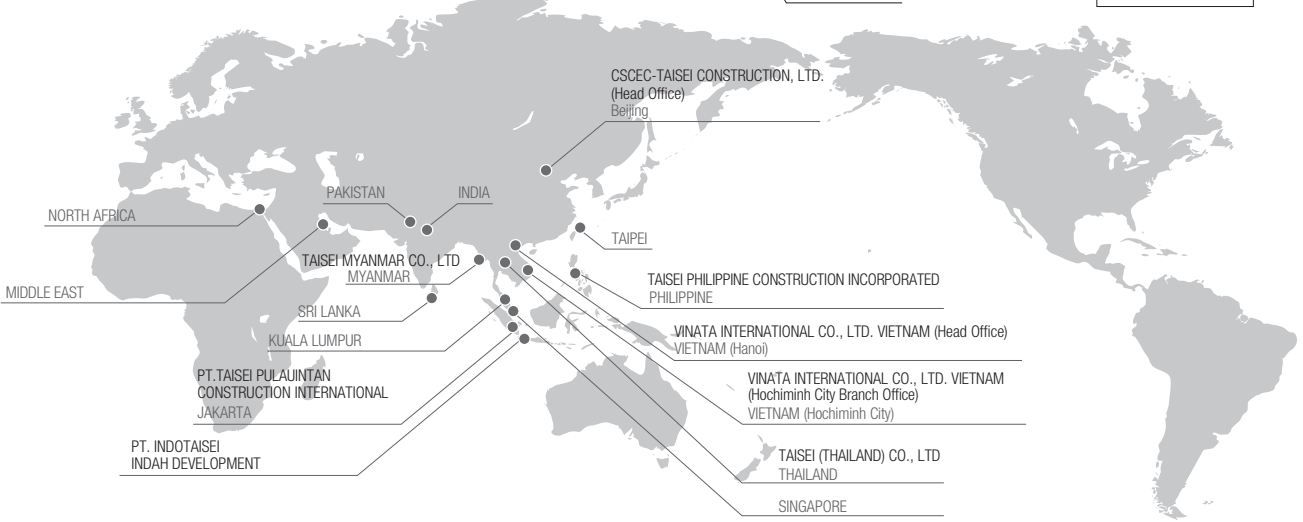
Outline of the Company

Corporate Data (As of March 31, 2020)

Name	TAISEI CORPORATION
Established	December 28, 1917
Paid-in capital	¥122.7 billion
Number of employees	8,507 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 Advanced Center of Technology (Yokohama City)

Overseas Network (As of September 1, 2020)

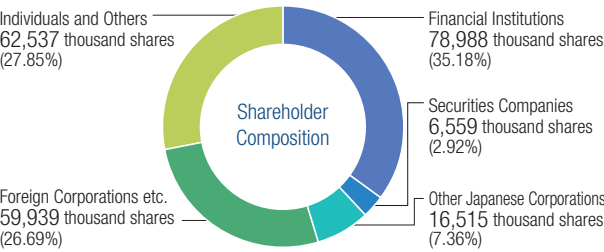


Share Information (As of March 31, 2020)

Status of Shares

Number of Shares Authorized	440,000,000
Number of Shares Issued*	224,541,172
Number of Shareholders	72,226

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

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)	18,053	8.54
Japan Trustee Services Bank, Ltd. (Trust Account)	14,753	6.98
Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account)	7,857	3.72
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	5,368	2.54
Taisei Associates' Shareholding Plan	5,319	2.52
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	4,704	2.23
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	4,262	2.02
Taisei Employees' Shareholding Plan	3,563	1.69
JPMorgan Chase Bank, N.A., 385151	3,519	1.67
State Street Bank West Client-Treaty 505234	3,083	1.46

Note: The Company's own shares (13,230,679) are excluded in calculating the Ratio of Shares Held.

* The number of shares issued includes the Company's own shares of 13,230,679.

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