

To Promote Financial Strategies in Response to Medium- to Long-Term External Environment and Structural Changes, and to Maintain and Improve a Strong Financial Foundation

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Senior Managing Executive Officer;
Chief of Business Administration Division;
In Charge of New Business Planning



Looking Back on FY2022

I assumed the role of Chief of Business Administration in April 2023.

As Chief Financial Officer, I will consistently strive to support the initiatives of the Taisei Group in its contribution to the development of a resilient society where people can live affluent and cultural lives.

To all our stakeholders, we sincerely look forward to your continued support and guidance.

Although the Japanese economy has generally maintained a moderate recovery trend thanks to the progress in the normalization of socioeconomic activities, uncertainty is growing induced by the reinforcement of monetary tightening in developed countries, associated with the worldwide inflation and concerns of slowdowns in overseas economies triggered by financial instability originated from the United States.

In the domestic construction market, private construction investment has been restored and public investment is expected to remain robust. The business environment surrounding our Group, however, is extremely challenging, as the costs of construction materials across a wide range of products remained high, severely affecting construction profits and losses in consequence.

Under these circumstances, the Group's net sales of FY2022 (the fiscal year ended March 31, 2023), the second year of our Medium-Term Business Plan (2021-2023), surpassed the results from the previous fiscal year. This outcome is primarily attributed to an increase in the balance of ongoing construction projects at the beginning of the fiscal year and a boost in revenue in the domestic building construction business, where projects progressed as planned.

However, with regard to profit and loss, the operating profit and other profits at each stage turned out to be lower than the results from the previous year. This downturn is mainly due to the cost increase associated with the works required for correcting our failure to satisfy steel erection accuracy requirements for the (Tentative Name) Sapporo Kita 1 Nishi 5 Project currently undertaken by our Sapporo Branch, and the price escalation of construction materials adversely affecting the profit margins in the construction business.

Although the ROE came out to be 5.6%, dropped by 2.8% from that of the previous year with decline in earnings, our financial position is in good standing. We have upheld our status of being "substantively debt-free," with a

robust equity ratio of 41.1% (a 3.3% decrease from the prior fiscal year).

Regarding operating cash flow, the decline in income before income taxes and an uptick in advance payments for the construction projects accompanied by business expansion, have led this year's figures fell short of last year's.

Nevertheless, even amidst these challenges, the robust financial foundation we have established over the years continues to serve us well. In addition to implementing investments outlined in the Medium-Term Business Plan, we have acquired ¥50 billion of treasury stocks, the scale of which is larger than ever before.

Moving forward, while ensuring ample liquidity for sustained business operations, our focus remains on investing in areas that enhance our corporate value and providing continuous returns to our shareholders.

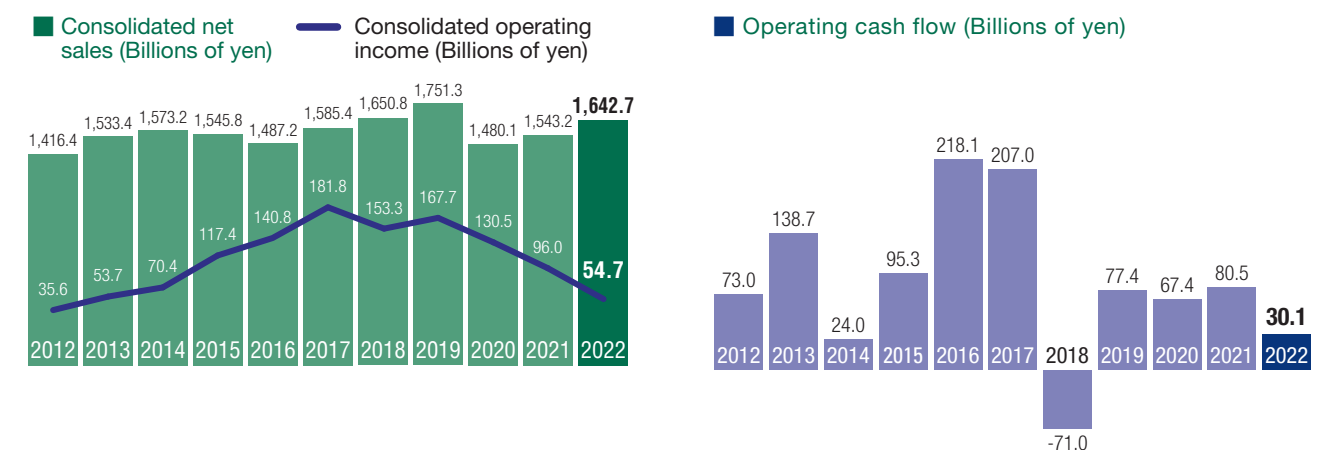
Our primary sources for funding investments and

shareholder returns are operating cash flow and available cash reserves. However, for significant undertakings such as mergers and acquisitions, external financing from financial and capital markets may also be considered as a viable option.

Regarding the current Medium-Term Business Plan (2021-2023), we, with our great regret, anticipate that it will fall short of our numerical targets for the concluding year, FY2023, owing to delays in organizing our production systems and external environmental changes.

In FY2023, we will undertake a comprehensive analysis on our failure to accomplish current Medium-Term Business Plan. Based on this analysis, we will strategize for the forthcoming Medium-Term Business Plan initiated from FY2024 considering both capital costs and capital profitability in order to respond to the expectations of our stakeholders.

Transitions of Net Sales / Operating Income and Operating Cash Flow



Investment Plan and Progress in the Medium-Term Business Plan

The Group has positioned the Medium-Term Business Plan (2021-2023) as the initial phase towards the realization of the TAISEI VISION 2030. Within this framework, we have developed an investment plan, based on the priority issues to be addressed intensively over the next three years.

As per our original projections, the accumulated investment in these three years is expected to reach ¥250 billion, and as of the end of FY2022, we have achieved approximately 50% of this numerical target.

Primary areas of investment include: investments in development projects, predominantly focused on the acquisition of office buildings and other real estate both in Japan and overseas; investments aimed to adapt to new business sectors, which encompass the renewal and transformation of the Group-owned facilities to Zero Energy Building (ZEB) standards, the establishment of a group next-generation technology research institutes, and the development of construction technologies related to offshore wind power generation; and

investments that further enhance productivity, such as the advancement of construction automation and labor-saving technologies and the increased utilization of Building Information Modeling (BIM).

Pertaining to environment-related investments contained in each investment category, we aim to channel ¥63 billion in the three years (an uptick of ¥3 billion from initial plans). By the end of FY2022, we had allocated around ¥38 billion. Beyond technical development investment in environment field, we are also shifting resources to procuring renewable energy sources to fulfill our power consumption needs.

Along with overseeing the progress of our investments, we consistently monitor the return status for each project within business-related investments, as well as anticipate outcomes from both technical development and investment in information. In case any issues arise, we promptly implement necessary measures.

Investment Plan

(Billions of Yen)

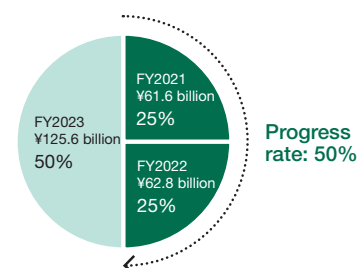
Field	FY2021 Results	FY2022 Results	FY2023 Implementation Plan	Three-Year Implementation Plan	Medium-Term Biz Plan Target
1. Investment in technical development	20.4	25.6	26.0	72.0	60.0
2. Investment in information	15.1	18.2	25.7	59.0	60.0
3. Capital and personnel-related investment	4.7	4.7	5.6	15.0	15.0
4. Business-related investments	23.2	16.8	70.0	110.0	125.0
Overlap of investment in technical development and investment in information	(1.8)	(2.5)	(1.7)	(6.0)	(10.0)
Total investments	61.6	62.8	125.6	250.0	250.0

Of the above, environment-related investments:

Technical development contributing to industrial sectors expected to grow from the virtuous circle of the economy and environment	12.3	22.3	19.4	54.0	42.0
Investments in renewable energy business	0.9	2.4	5.8	9.0	18.0
Total investments	13.2	24.7	25.2	63.0	60.0

Investment Results and Plans

FY2022	Investment in technical development:	Green Renewal ZEB (including T-Green Multi Solar) of Yokohama Branch, Kansai Branch, TAISEI U-LEC Co., LTD.
	Investment in information:	Development of a data integration platform.
	Business-related investment:	Acquisition of trust beneficiary rights in a large office building in central Tokyo [(tentative name) Mita Building, etc.]
FY2023	Investment in technical development:	Establishment of the Group new next-generation technology research institute.
	Investment in information:	Development and implementation of a procurement management system.
	Business-related investment:	Investment in large office buildings in central Tokyo and continuous investment in overseas projects.



Shareholder Return Policy

Our guiding principle emphasizes long-term stable dividends. While enriching retained earnings to support anticipated business expansion, we remain committed to distributing profits to our shareholders in line with our operational results.

For the current fiscal year, considering both our recent performance and anticipated business conditions, we have set the annual dividend at ¥130 per share, maintaining consistency with the previous fiscal year's payout (consolidated dividend payout ratio: 53.9%).

From May 15, 2023, through March 31, 2024, we have executed a share buyback program, repurchasing up to 6

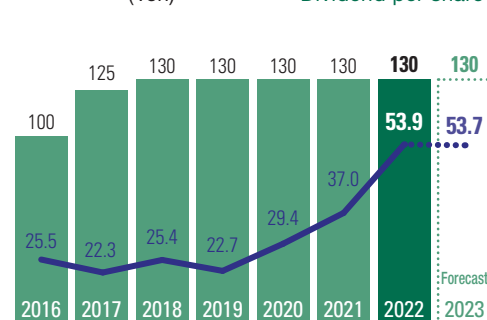
million shares, equivalent to ¥20 billion or 3.19% of the total issued shares.

Since FY2016, we have consistently undertaken the acquisition and cancellation of shares amounting to roughly ¥200 billion annually, while demonstrating our commitment to enhancing shareholder value and optimizing capital efficiency.

From now onward, we pledge to uphold our shareholders' expectations by not only elevating our operational performance but also by boosting our dividend yields and overall share value.

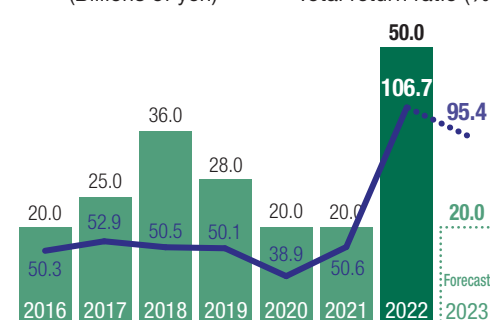
Dividend per Share*1

(Yen) — Dividend per share



Acquisition Amount of Treasury Share*2

(Billions of yen) — Total return ratio (%)



*1 The dividends per share for FY2016 and FY2017 have been adjusted to reflect the consolidation of shares conducted on October 1, 2017, where five shares of the Company's stock were consolidated into one share.

*2 The listed total return ratio corresponds to the profit of the previous fiscal year.

Policy on Cross-Shareholdings

We maintain cross-shareholdings to establish and strengthen enduring and stable relationships of mutual cooperation with important business partners and improve our competitiveness and profitability.

For all listed securities and those unlisted which we consider continuous assessment is required, the Board meticulously evaluates whether or not to keep on holding each individual stock through comparison of the acquisition cost against the business return, using the capital cost as a yardstick.

In addition to quantitative evaluation, qualitative factors such as anticipated future construction orders, are also considered when making decisions.

For Future Growth

The Group has consistently advanced financial strategies, primarily in the aim to improve and strengthen the financial foundation that suffered significantly from the collapse of the bubble economy and the collapse of Lehman Brothers.

As an outcome of these efforts, we have maintained a substantively debt-free status since FY2013, and our equity ratio has been around 40% since FY2018. We believe that this marks a certain degree of attainment in milestone, with indication of financial robustness.

The current enlargement tendency in project size is inducing extreme cash flow fluctuation trend, which can typically be seen in the construction business, has been intensified.

In addition, the current business environment is facing increasing uncertainties, marked by the manifestation of

As a result, if any shares are determined not to be consistent with the objectives to have cross-shareholding because it is not economically reasonable and promising in the medium to long run to maintain them, we have a policy to sell them in a timely and appropriate manner.

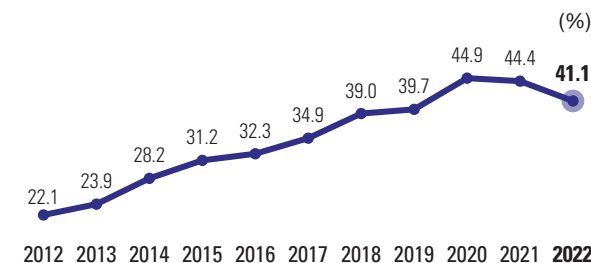
In FY2022, we divested 11 listed securities amounting to ¥3.6 billion and 9 unlisted securities in total of ¥100 million (including partial sales).

Looking ahead, with the aim to specify our divestment targets, we intend to methodically reduce our cross-shareholdings: aiming for them to be less than 30% of our consolidated net assets by the end of FY2026 and under 20% by the end of FY2030.

global inflation effects, the situation in Ukraine, and a deceleration in overseas economies due to the monetary tightening in developed countries.

Nevertheless, amidst these challenges, we remain committed to our vision with a strong financial foundation as the backdrop. In the aim to embody "The ever-evolving CDE³ (Cubed) Company," stipulated in TAISEI VISION 2030 as an ideal figure to be achieved through the Group's medium- to long-term aspiration, we will appropriately allocate resources generated from our core construction business to ensure sustainable, steady corporate management, increase our corporate value in the medium-to long-term, and further enhance both our financial foundation and capital efficiency.

Equity Ratio (Full-Year)

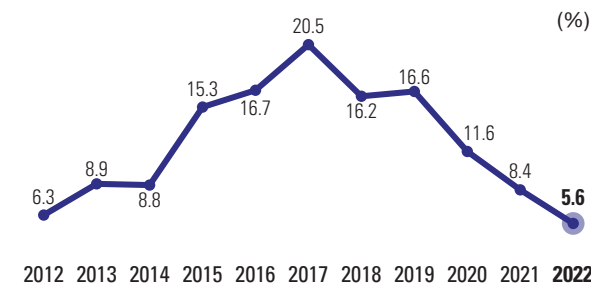


Balance Sheets

(Billions of Yen)

Cash and time deposits: ¥499.1	Interest-bearing debt: ¥224.3	Cash and time deposits: ¥416.0	Interest-bearing debt: ¥201.7
Other assets: ¥1,457.1	Other liabilities: ¥859.1	Other assets: ¥1,600.7	Other liabilities: ¥981.1
	Equity: ¥868.9 (Retained earnings: ¥591.4)		Equity: ¥829.1 (Retained earnings: ¥562.8)
	Non-controlling interests: ¥3.9		Non-controlling interests: ¥4.8
Total assets		Total assets	
¥1,956.2 billion		¥2,016.7 billion	
As of March 31, 2022		As of March 31, 2023	

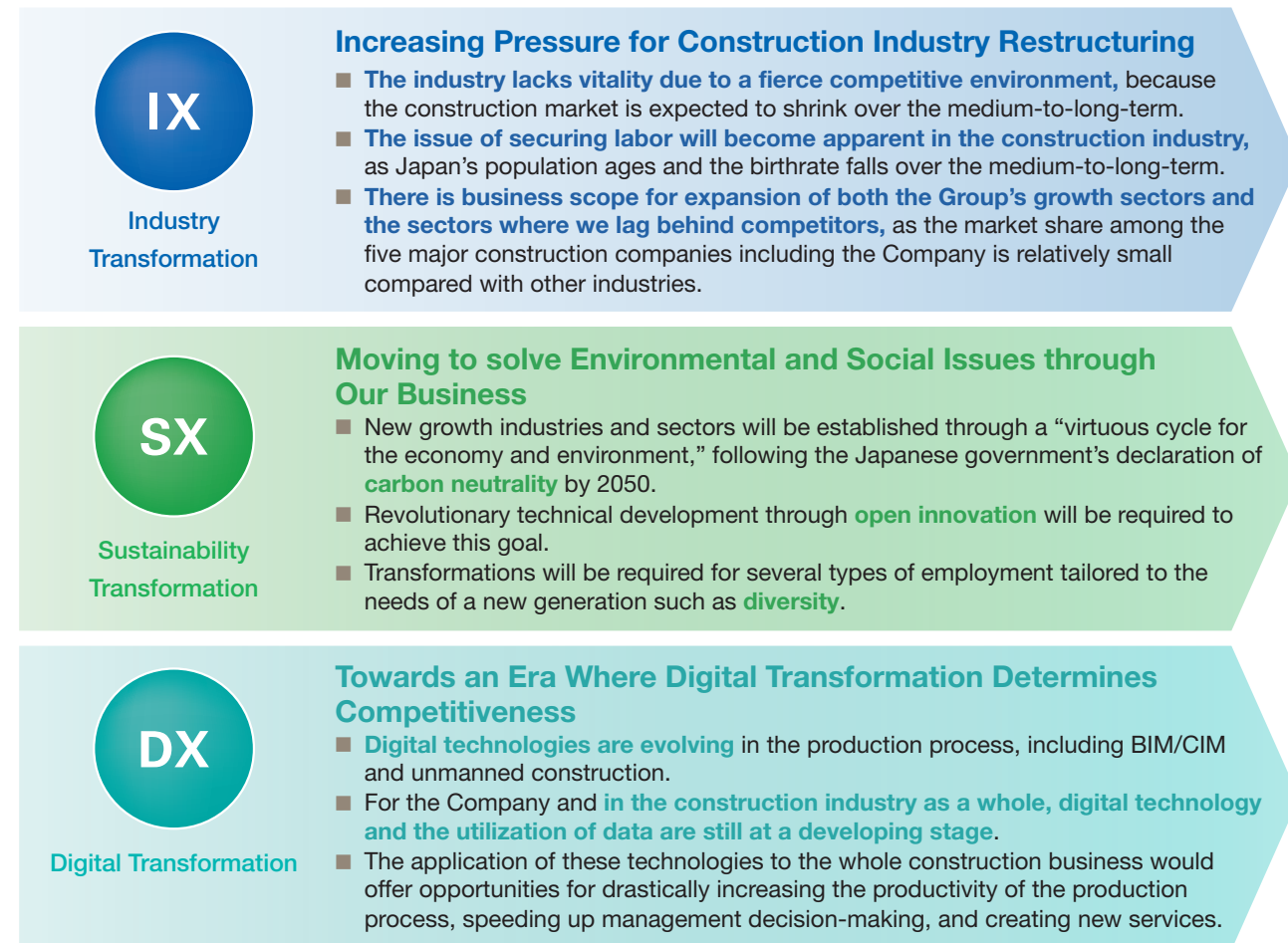
ROE (Full-Year)



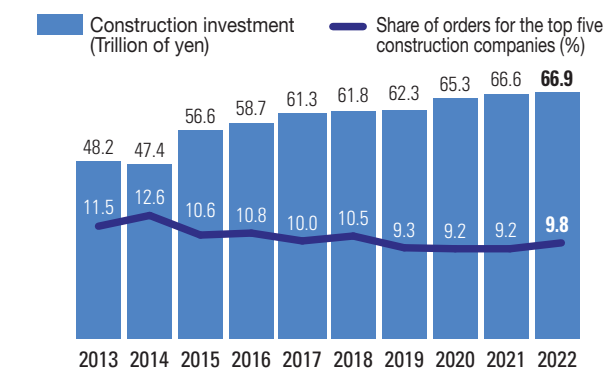
Medium- to Long-Term Recognition of External Environment

Current External Environment Insights

The Taisei Group has identified the challenges highlighted by the COVID-19 crisis as “Three Xs” (where ‘X’ stands for transformation). We recognize that the intertwining of these challenges will lead to a significant wave of change. For each of these transformations, we have set up specialized departments to undertake cross-departmental initiatives and investments.

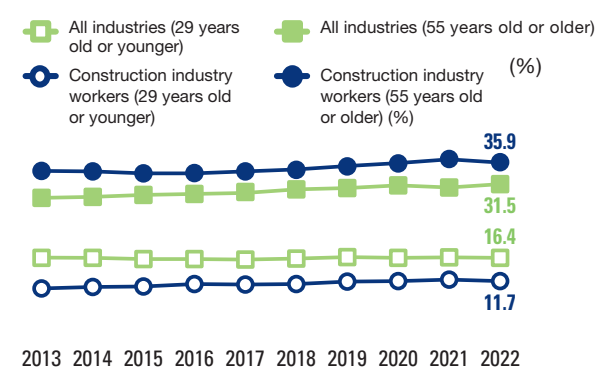


Share of Orders Received by Major Construction Companies in Construction Investment



*Sources: “Current Survey of Orders Received for Construction” by The Ministry of Land, Infrastructure, Transport and Tourism, and “Survey of Order Performance” by the Japan Federation of Construction Contractors.

Aging of Construction Industry Workers



*Source: “Labour Force Survey” by The Ministry of Internal Affairs and Communications

TAISEI VISION 2030

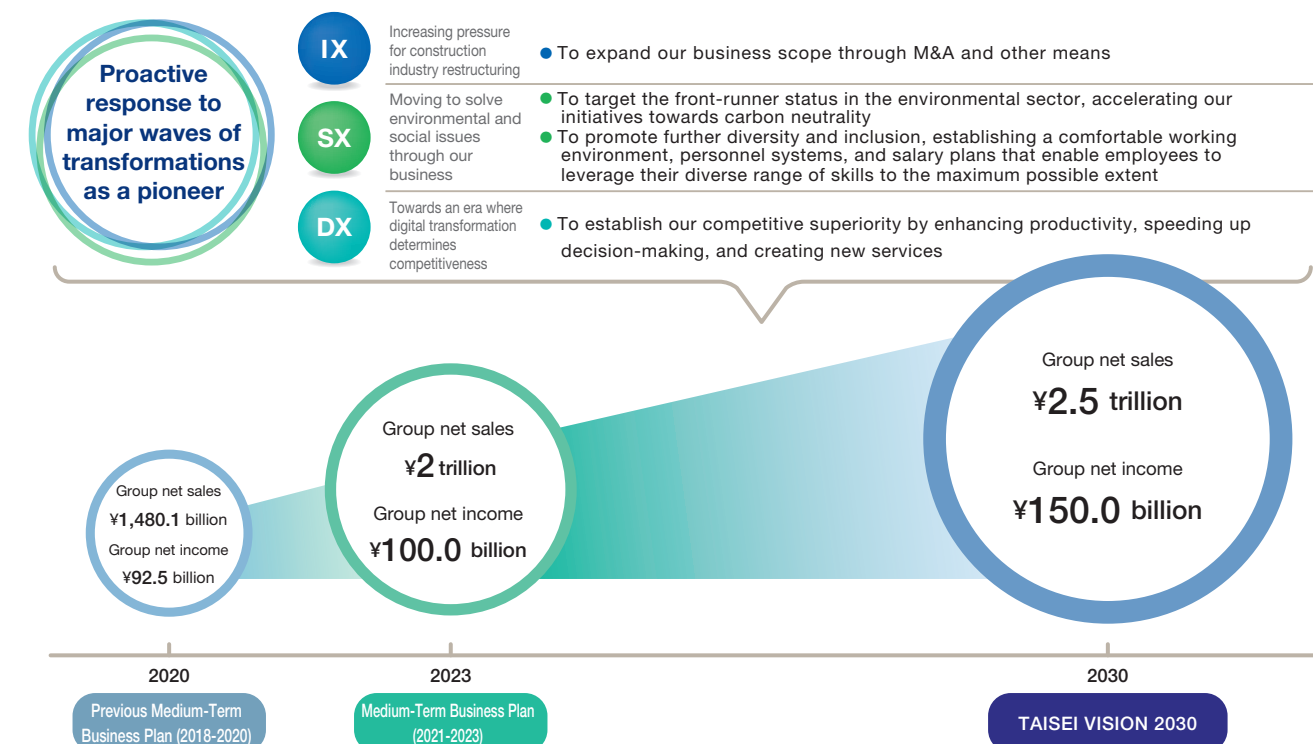
Based on the “Three Xs,” we have formulated the TAISEI VISION 2030, our vision for the medium- to long-term based on the Group's philosophy and Taisei Spirit, and all officers and employees are working as one.

The Ever-Evolving The CDE^{3 (cubed)} Company

Construction, Development, Engineering, Energy, Environment

A pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultural lives

Basic stance	Achieving safety and security Optimal utilization of “Human Capital,” “Technology” and “Intelligence”		
	Group net sales	Group net income	ROE
Rough indicators of numerical performance	About ¥2.5 trillion	About ¥150.0 billion	About 10%
Returns to stakeholders	Customers, suppliers, and society	Returns through CDE ³	
	Shareholders	Dividend payout ratio 25-30%	
	Employees	To promote further diversity and inclusion, establishing a comfortable working environment, personnel systems, and salary plans that enable employees to leverage their diverse range of skills to the maximum possible extent	

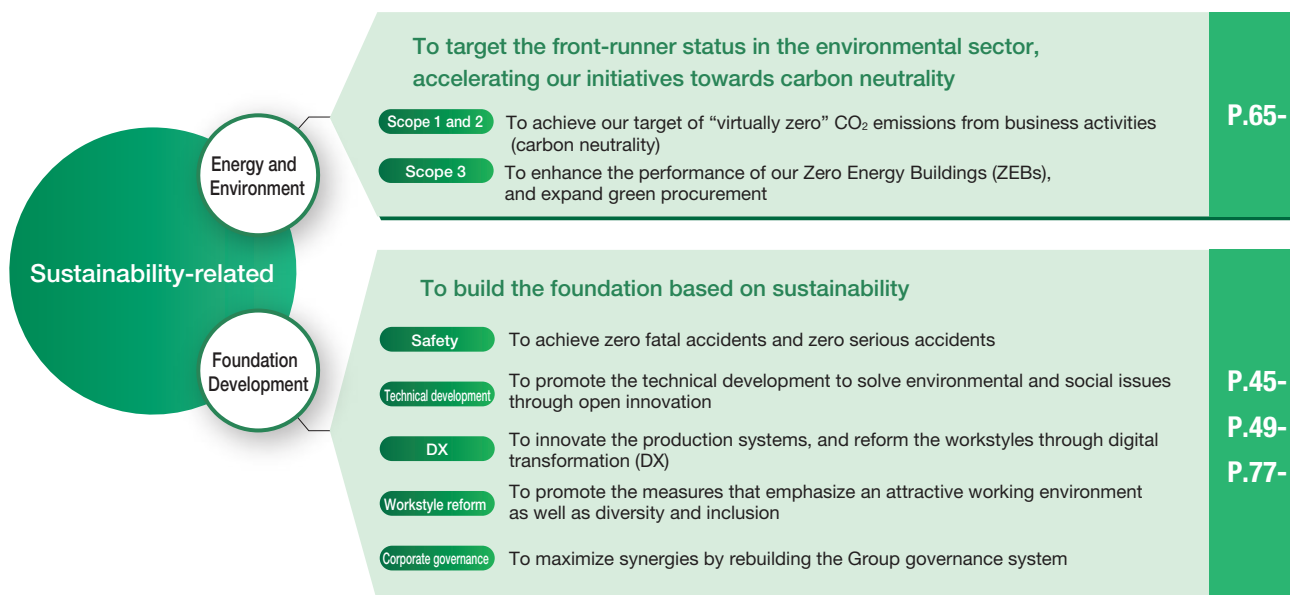


Medium-Term Business Plan (2021–2023)

Medium-Term Business Plan (2021–2023) | Key Issues

Key Issues

- Key issues to be focused on over the next three years are identified in order to achieve TAISEI VISION 2030, considering the current business environment.
- In addition to the initiatives targeting our existing business, the initiatives expanding our business scope through M&A will be implemented



Numerical Targets and Progress of Medium-Term Business Plan (2021 -2023)

Numerical targets for FY2023

ROE	About 10%	Dividend payout ratio	About 25%	Net interest-bearing debt	Maintaining state of substantively debt-free management
Group net sales: ¥2 trillion		Group operating income: ¥140.0 billion		Group net income: ¥100.0 billion	

FY2022 results

ROE	5.6 %	Dividend payout ratio	53.9%	Net interest-bearing debt*	-¥214.3 billion
Group net sales: ¥1.64 trillion		Group operating income: ¥54.7 billion		Group net income: ¥47.1 billion	

Page P.23 Message from the Chief Financial Officer
Taisei Group's Growth Strategy

* Net interest-bearing debt = Interest-bearing debt - Cash and deposits (End of FY2022: -¥214.3 billion = ¥201.7 billion - ¥416.0 billion)

While it was anticipated that construction investments might decrease in the medium-to-long-term due to the spread of COVID-19, the decline has not been as drastic. The industry is showing signs of recovery, surpassing pre-pandemic levels, thanks to strong public investments and buoyant private capital expenditures, especially in the manufacturing sector, looking ahead to the post-COVID era.

Nevertheless, the considerable surge in construction material prices across a broad spectrum has had a profound impact on the profitability of projects. This has rendered the operational environment for the Group exceptionally challenging.

Amidst these circumstances, we are undertaking the Medium-Term Business Plan (2021-2023), set to conclude in FY2023. However, due to delays in establishing a production structure aimed at business expansion, an inability to transfer the increased costs of construction materials, and the acceptance of several large-scale construction projects at reduced profit margins amidst stiff competition, we anticipate our performance for FY2023 to fall short of the numerical targets set for the final year of the Medium-Term Business Plan.

In FY2023, we will analyze the causes of the shortfall in the achievement of the Medium-Term Business Plan and formulate the next Medium-Term Business Plan starting in FY2024.

Numerical Targets for the Final Year (FY2023) of the Medium-Term Business Plan (2021-2023) (Consolidated)

	Medium-Term Business Plan (2021-2023) Final Year (FY2023) (Consolidated)		
	Numerical target	Performance forecast	Variance in amount
Group net sales	2,000 billion	1,760 billion	-240 billion
Group operating income	140 billion	64 billion	-76 billion
Group net income attributable to owners of parent	100 billion	45 billion	-55 billion
ROE	About 10%	5.4 %	—
Dividend payout ratio	About 25%	53.7 %	—
Net interest-bearing debt	Substantively debt-free	—	—

We will implement the following measures for this fiscal year and for the upcoming Medium-Term Business Plan:

- 1 Securing appropriate business volume and rebuilding the production systems
- 2 Re-enforcing the "profit-oriented approach"
- 3 Continuation of company-wide negotiations for price pass-through

Materiality (Issues to Be Dealt with)

Taisei Group’s Materiality

In alignment with TAISEI VISION 2030 and our Medium-Term Business Plan for 2021–2023, which outline our medium to long-term objectives, Taisei Group has identified its materiality. We take into consideration the impact on our management while recognizing the importance of societal concerns, stakeholder interests, and challenges facing society. These material issues have been selected based on their alignment with the Group philosophy and various policies.

As we prepare for the next Medium-Term Business Plan, set to commence in FY2024, we are currently reviewing the Group’s materiality.

Process of Identifying Materiality

When pinpointing key issues, we considered a range of sustainability challenges, integrating diverse perspectives from both within and outside the Company. Discussions and deliberations took place at the management level. Within the context of the Medium-Term Business Plan (2021–2023), we have established focused initiatives linked to the identified materialities and have been advancing our sustainability initiatives. The progress of KPIs associated with each materiality is monitored and discussed by the Sustainability Committee, enhancing the effectiveness of initiatives.

Step 1	Extracting Sustainability Issues Key sustainability issues are identified from the SDGs, GRI, United Nations Global Compact, ISO 26000, SASB, ESG external evaluation criteria, and the Group’s medium- to long-term management strategies.
Step 2	Conducting Internal and External Interviews Based on feedback from internal and external interviews, the Corporate Planning Office and the Sustainability Division collaboratively draft a plan.
Step 3	Internal Discussion Using the draft as a foundation, alongside formulating a medium- to long-term management strategy and a Medium-Term Business Plan, deliberations are held at the Management Committee and the CSR Committee (now known as the Sustainability Committee). Decisions are then finalized by the Board.
Step 4	Rolling Out Internally Within the Medium-Term Business Plan, priority measures associated with materiality are established, and KPIs and action plans are designed. The Sustainability Management Promotion Division periodically summarizes the progress of the KPIs and presents their findings to the Sustainability Committee. Continuous improvement is pursued through the rotation of the PDCA cycle.

Materiality and Direction of Initiatives

Materiality			Direction of Initiatives
E	①	Realization of a sustainable and environmentally friendly society	Understanding fully the environmental implications of our business activities, as well as the influence the environment has on them, we aim to achieve the three visions outlined in the TAISEI Green Target 2050: the “Decarbonized Society,” the “Recycling-Oriented Society,” and the “Nature Co-Existing Society.” Furthermore, we are committed to addressing two specific issues: “Forest Resources/Forest Environment” and “Water Resources/Water Environment.”
	②	Ensuring quality and improving technology	We advance research and development of cutting-edge technologies that anticipate societal needs. Through enhancing our quality management systems, we are dedicated to consistently and efficiently delivering high-quality construction products and associated services to both our clients and society at large.
	③	Technical development for realizing a sustainable society	We consistently develop technologies that address societal challenges from a sustainability standpoint, generate new businesses and markets through innovation, and bolster quality, productivity, and safety. Through these efforts, we contribute to the realization of a sustainable society.
	④	Promotion of supply chain management	Viewing all our business partners as crucial, we promote efforts throughout the supply chain to tackle environmental and societal issues. By doing so, we aspire to foster mutual growth with our business partners, contribute positively to society, and establish our reputation as a trustworthy corporate group.
S	⑤	Thorough management of occupational health and safety	Guided by a “Safety First” principle, we leverage the managerial expertise and safety-focused enthusiasm nurtured within the Group and among our business partners. Our goal is to enhance and maintain a safe working environment, striving to be a corporate group that earns societal trust and empathy.
	⑥	Cultivation of technical staff and securing human resources	We view human resources as our paramount management asset. Our goal is to harness the potential and foster the growth of professionals across various fields by recruiting a diverse workforce and nurturing and positioning them strategically. Additionally, by enhancing the working conditions and benefits for our business partners, and amplifying our support, we aim to cultivate and retain skilled construction workers vital for the future of the construction industry.
	⑦	Realization of an attractive working environment that is good to work in	In our pursuit of diversity management, we are committed to fostering a work environment where diverse talents can fully unleash their potential. By respecting various work styles and enhancing productivity, we strive to realize true work-life harmony.
G	⑧	Thorough compliance and restructuring of the Group governance system	We uphold our social responsibilities by adhering to laws and regulations and conducting ourselves with social integrity. In our pursuit of realizing the TAISEI VISION 2030, we are establishing a unified group approach, aiming to maximize synergies, elevate the corporate value of the entire Group, and achieve sustainable growth.

Materiality and Medium-Term Business Plan Initiatives

Risks and opportunities related to each materiality are described separately in the Sustainability Section | Materiality (P.65-81). We will prevent and reduce risks and create business opportunities through the following key measures in our Medium-Term Business Plan.

Materiality (Related ISO 26000)		Key measures under the Medium-Term Business Plan	Relationship with SDGs, etc.
E	① Realization of a sustainable and environmentally friendly society (Environment)	<div><div>●To achieve our target of “virtually zero” CO₂ emissions from business activities (carbon neutrality) (Scope 1 + 2)</div><div>Environment</div><div>●To enhance the performance of our Zero Energy Buildings (ZEBs), and expand green procurement (Scope 3)</div><div>Environment</div><div>●To establish a system to manage the Group’s environmental targets</div><div>Environment</div><div>●To conduct environmental patrols and education to eliminate environmental accidents</div><div>Safety</div></div>	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>Energy</div><div>13 CLIMATE ACTION</div><div>Climate change</div></div>
	② Ensuring quality and improving technology (Consumer issues)	<div><div>●Technical development where the Company has a competitive edge</div><div>Technical Development</div><div>●To establish Digital Twin based on coordination with the BIM/CIM design and construction cloud</div><div>DX</div><div>●To establish the production process in a visualized and efficient way through state-of-the-art digital technology</div><div>DX</div></div>	<div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>Infrastructure</div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div><div>Sustainable city</div></div>
S	③ Technical development for realizing a sustainable society (Environment / Consumer issues / Community)	<div><div>●To develop and commercialize next-generation high-performance ZEBs and develop and use the carbon-recycle concrete</div><div>Technical Development</div><div>●Technical development contributing to industrial sectors expected to grow, through a virtuous cycle for the economy and environment</div><div>Technical Development</div><div>●To establish a business in the operations and maintenance (O&M) area</div><div>DX</div><div>●To shift to a style of data-based sales by making proposals at the optimal timing</div><div>DX</div></div>	
	④ Promotion of supply chain management (Fair operating practices / Human rights)	<div><div>●To promote supply chain management aimed at solving environmental and social issues, etc.</div><div>●To promote the procurement complying with the “Sustainable Procurement Guidelines” across the supply chain as a whole</div><div>●To coordinate with suppliers in a way complying with the “Declaration of Partnership Building”</div><div>●To improve the systems for providing procurement-related information</div><div>DX</div></div>	<div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>Employment</div></div>
	⑤ Thorough management of occupational health and safety (Labor practices)	<div><div>●To enhance patrols by the Company and officers of the Safety, Health, and Environment Cooperation Association, etc., ensuring thorough education in order to prevent designated disasters, etc.</div><div>Safety</div><div>●To promote the health and safety and environmental management through the utilization of digital technologies, etc.</div><div>Safety</div></div>	<div>Compliance with the Revised Labor Standards Act (FY2024)</div>
	⑥ Cultivation of technical staff and securing human resources (Human rights / Labor practices / Consumer issues)	<div><div>●To promote roadmap to FY2024 for “addressing long working hours”</div><div>Work Style Reform</div><div>●To enhance the support for all member companies of Soyukai</div><div>Safety</div><div>●To enhance and maintain the training for Soyukai members at the Konosu Training Center</div><div>●To support the registration and use of the Construction Career Up System (CCUS)</div></div>	<div>Achievement of the targets of the General Employers Action Plan based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (FY2025)</div>
	⑦ Realization of an attractive working environment that is good to work in (Human rights / Labor practices)	<div><div>●To establish the workstyles and the working environments that enable a diverse range of human resources to fully perform their abilities</div><div>Work Style Reform</div><div>●To expand mid-career recruitment, studying and implementing the plans for their compensation and other benefits</div><div>●To study and implement the plans to establish the workstyles where female employees, elderly employees, and others can fully perform their abilities</div><div>●To secure digital human resources, and establish a rotation system</div><div>DX</div></div>	
G	⑧ Thorough compliance and restructuring of the Group governance system (Organizational governance / Fair operating practices)	<div><div>●To clarify the functions of the Group Head Office</div><div>Governance</div><div>●To establish effective systems to manage Group companies, etc.</div><div>Governance</div><div>●To build an integrated platform</div><div>DX</div></div>	<div><div>7 8</div><div>9 11 13</div></div>

* For Soyukai and the Safety, Health, and Environment Cooperation Association, see the glossary on page 118.

Materiality and KPIs

For KPIs, the Board regularly monitors the progress and achievement of KPIs, following prior deliberations by the Sustainability Committee, and takes measures as necessary. The progress and achievements of KPIs are also used in dialogue with shareholders and investors.

Materiality	KPI				Page	
	Indicators	FY2022		FY2023		
		Target	Results	Target		
E	①	Scope 1+2 Reduction rate of CO ₂ emissions per sales* ¹	—	-13.8%	-15%	P.65
		Reduction rate of total CO ₂ emissions* ¹	—	-20.9%	-6%	
	At construction stage:	Reduction rate of CO ₂ emissions per sales* ^{2,3}	-38%	-47.5%	-41%	
		Reduction rate of total CO ₂ emissions* ^{2,3}	-51%	-60.5%	-46%	
	At building operation stage:	Reduction rate of design-build estimated CO ₂ emissions* ^{2,3}	-42%	-49.8%	-43%	
S	②	Customer satisfaction (Civil Engineering)* ³	100%	95.8%	100%	P.75
		Customer satisfaction (Building Construction)* ³	100%	85.9%	100%	
		Productivity (Net sales/number of employees)	¥77 million	¥67 million	¥83 million	
	③	Number of patent applications filed* ³	280 cases	283 cases	280 cases	P.77
		Number of orders received for net Zero Energy Buildings (ZEBs)* ³	5 projects/year	10 projects/yea	8 projects/year	
	④	Supplier’s conformity rates with the Taisei Group Sustainable Procurement Standards	100%	91.3%	100%	P.78
	⑤	Number of fatal accidents	0 cases	0 cases	0 cases	P.79
	⑥	Worksite registration rate of Construction Career Up System (CCUS)* ³	100%	100%	100%	P.80
		Health management overtime hours* ³	720 hours/year (No exceedance)	720 hours/year (18.2% employees exceed)	720 hours/year (No exceedance)	
		Worksite implementation rate of a five-day work week (closed eight days in four weeks) (Civil Engineering)* ³	100%	52.2%	100%	
		Worksite implementation rate of a five-day work week (closed eight days in four weeks) (Building Construction)* ³	100%	27.8%	100%	
	⑦	Number of female managers* ³	310 persons	314 persons	330 persons	P.51-54, P.81
		Rate of taking childcare leave by males* ³	100%	100%	100%	
G	⑧	Number of major information security accidents	0 cases	0 cases	0 cases	P.81, P.93-98
		Attendance rate at compliance training including anti-corruption* ³	100%	100%	100%	

*1 Compared to FY2019 (a base year for emissions targets)
*2 Compared to FY1990 (a base year for emissions targets)
*3 Non-consolidated

Group Domestic Building Construction Business

Member of the Board
Managing Executive Officer
Chief of Architecture & Engineering
Division (Integrated);
Chief of Building Construction Division

Mayuki YAMAURA

Major Group Companies in Charge:

TAISEI U-LEC Co., LTD.

TAISEI SETSUBI CO., LTD.

TAISEI HOUSING CORPORATION

Decarbonization Provides Significant Business Opportunities

The increasing demand for Zero Energy Buildings (ZEBs) in line with society's trend towards decarbonization provides excellent opportunities for our Group's building construction business to grow further. Especially, we foresee a significant market in retrofitting existing buildings into ZEBs in the coming years. In addition, there is a growing demand for real estate development projects and for the construction of buildings like data centers and semiconductor-related facilities, which are pivotal in the digitization of society. We perceive these trends as significant business opportunities.

On the other side, we acknowledge the severe shortage of skilled construction workers as a considerable risk, due to the declining birthrate and aging society, and the subsequent reduction in the working-age population as a considerable risk. Furthermore, as the legal ceiling on overtime hours will be enforced in the construction industry starting in 2024, it is crucial to improve productivity and decrease the workload at worksites. This can be achieved through the introduction and use of mechanized construction technologies such as welding robots, precast concrete methods, and digital solutions and technologies. It is imperative to systematically achieve and maintain optimum productivity for both our employees and on-site workers.

To Enhance Our Competitive Advantage by Technological and Comprehensive Capabilities

One of the featuring competitiveness in the Company's building construction business is our state-of-the-art ZEB related technologies. In addition to introducing ZEB technologies onto new buildings, as we renovated three existing buildings owned by the Group and converted them into ZEBs last year, we have established a system to provide the additional value through converting existing buildings into ZEBs, while offering our clients an opportunity to observe the actual ZEBs. We will pursue our competitive advantage in the urban redevelopment projects and large-scale logistics facilities with our comprehensive capabilities, where we offer business proposals based on our in-house expertise and know-how in collaboration with various internal specialized sections that exceed the clients' expectations and imaginations.

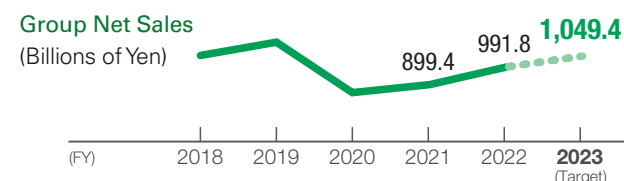
To Ensure Clients' Trust through Utilizing Human Capital

First and foremost, we must make our best effort to restore the clients' trust that has once been lost due to the recent incidents of the failure to satisfy steel erection accuracy requirements and the delay in our construction project. Without the trust of our clients, the Group's businesses would not last. The most essential management resource for restoring clients' trust is our "human capital". It is our employees in charge of the construction works at site, who conduct the careful work, provide value that exceeds the clients' expectations, and eventually gain the clients' trust. We will proceed for restructuring our production system trustworthy for our clients, by maintaining a working environment in which our employees can best perform with no constraint, including appropriate personnel allocation in consideration of work load and strengthening systematic functions to ensure implementation of our quality control process.

It is also an urgent issue to secure proper profits. As a result of the prolonged COVID-19 pandemic and the increase in energy and construction material prices due to the emergence of geopolitical risks, which we could not foresee when the current Medium-Term Business Plan was formulated, we continue to face severe business circumstances where the clients' budget frequently fall short compared to our construction costs. As our key measures of "expansion of building renovation business through organizational restructuring" and "improvement of productivity through the use of digital technology and the consolidation of operations" have come near the accomplishment, we will further accelerate the implementation of the said measures and enhance the business foundation to secure appropriate profits.

Segment Overview

Net sales reached ¥991.8 billion, an increase of 10.3% from the previous period, due to the growth of both the Company and its consolidated subsidiaries.



Medium-Term Business Plan (2021–2023) Key Initiatives

- To establish a framework to enhance the competitiveness of new construction orders.
- To expand the renewal sector through organizational restructuring.
- To boost productivity by leveraging digital technologies and consolidating operations.
- To broaden business domains by utilizing M&As.

TOPICS



Completed Construction of New Buildings and Other Facilities Related to the New Building Construction Work for Nishi-Shinjuku 5-Chome Kita Project

This redevelopment project began in 2006, with the establishment of the Nishi-Shinjuku 5-Chome Kita Area Town Development Study Group by the local volunteers. The old city blocks with high fire risk were redeveloped to be combustible, and secured vacant land by building skyscrapers. We have created a water park that takes advantage of the scenery of the Kanda River, as well as a well-watered and green excursion space. The Company has demonstrated its comprehensive capabilities, such as with the ingenuity of our worksites, backup work of the building construction division, and support work of the civil engineering division in seawall construction. We have overcome the shortage of personnel, materials, and equipment, caused by the COVID-19 pandemic, and the long dream has come true for the local community.



Start of Construction of a Next-Generation Technical Laboratory towards the Realization of Zero-Carbon Buildings

The Company and Taisei Rotech Corporation have begun construction of the Group's Next-Generation Technology Laboratory in Satte City, Saitama Prefecture, for various technological developments and demonstration tests that will contribute to the realization of carbon neutrality. We will complete the construction of each facility by the end of October 2024, and start operating them one after another, with the aim of becoming the first zero-carbon building in Japan as a new research and management facility.



Reusable solar panel installed on roof surface of temporary office



Complete image provided by: The Ministry of Land, Infrastructure, Transport and Tourism Osaka Civil Aviation Bureau/Azusa Design Co., Ltd.

Start of Efforts to Achieve Net-Zero CO₂ Emissions in Construction of the New Fukuoka Airport Office Building and New Control Tower

Acquired "Nearly ZEB" certification for the temporary office. We also aim to realize a recycling-oriented society by utilizing reusable solar panels. We will use tracking non-fossil certificates derived from our own power plants to convert electricity into real renewable energy, and use credits including the Fukuoka City Forest Offset Credit for fuel to reduce CO₂ emissions from construction to virtually zero. We also use environmentally friendly concrete developed by our company for the foundation of the building to reduce CO₂ emissions at the material procurement stage.



Green Renewal® of the Group-Owned Facilities ZEB Construction Completed to Realize a Decarbonized Society

The green renewal® ZEB construction has been completed for the Company's Kansai Branch Building, Yokohama Branch Building (above), and TAISEI U-LEC Co., LTD. Kawagoe Plant.

Please refer to this section for details of the initiatives such as the Renewal ZEB.

Page P.69-70 Taisei Group's ZEB Sustainability Section

Progress and Achievements for FY2022

- Strengthened the support systems of the Digital Product Center and Construction Sitework Promotion Center established at the Division, enhancing the division of labor and efficiency in worksite operations.
- Centralized the estimation tasks for renewal construction to the Building Renovation Dept. in branch offices. (consolidation rate increased from 36.7% at the start of FY2022 to 65.3% at the end of the fiscal year).
- Implemented operational improvements by fundamentally reviewing the workflow and content, including redesigning standard drawings and introducing a facial recognition system at worksite entrances.
- Advanced the development of the BIM standard model.
- Advanced the transformation into back-offices for the Mechanical & Electrical Division and branch Mechanical & Electrical Department.

Future Measures

- Enhance collaboration with the design department to better address customer demands and further enrich proposal contents.
- Added showroom function to the Kansai Branch, Yokohama Branch, and the Kawagoe Plant of TAISEI U-LEC Co., LTD., aiming for active utilization and increasing orders for Green Renewal® ZEB construction projects.
- In view of the upcoming 2024 overtime regulations, the Company seeks to balance workload and staffing while concurrently improving productivity.
- Initiated the pilot phase for the "DX Start Model," a BIM model that integrates "Design, Structure, and Equipment," aiming to augment front-loading*.

* Front-loading: The process that can be brought forward in the process is carried out at the initial stage.



Group Domestic Civil Engineering Business

Managing Executive Officer
Chief of Civil Engineering Division

Kenji SHIRAKAWA

Major Group Companies in Charge:

Taisei Rotech Corporation
SEIWA RENEWAL WORKS CO., LTD.
J-FAST Co., Ltd.

Growth Opportunities through Building National Resilience and Carbon Neutrality

It is an urgent issue in Japan to deal with severely escalating natural disasters due to climate change, large-scale earthquakes, and the aging infrastructure facilities. Building national resilience initiatives and the trend towards carbon neutrality are anticipated to expand demand for civil engineering projects including highway renovation projects and renewable energy-related facilities and to generate momentum for medium- to long-term business growth.

On the other hand, as for the labor shortage issue due to the declining birthrate and aging society, business environment including that of suppliers and subcontractors continues to worsen. As the legal ceiling on overtime hours will be enforced in the construction industry to adhere to overtime regulations starting in 2024, it is a crucial challenge for us to achieve both preventing excessive overtime hours and maintaining operational capacity simultaneously. Furthermore, it is imperative to proactively adapt to the enhanced environmental regulations for the purpose of the decarbonization in future.

To Utilize Our Technologies for Environmental Sustainability and Enhancing Resilience

Our strengths are rooted in our vast project accomplishments, brand reputation, technical innovation & development, and our capability to design and execute projects tailored to our clients' various needs. Particularly in the realm of technology, we distinguish ourselves from competitors by developing and adopting our state-of-the-art technologies onto respective construction methods. These include automated and mechanized construction for tunnels, optimized and automated shield tunneling technologies, and ICT-driven construction methods for bridge projects. Moreover, we are proactively introducing newly developed technologies for environmental sustainability and enhancing infrastructure resilience. These encompass T-eConcrete®, our solution to reduce a remarkable volume of CO₂ emissions; CCS, a technology to capture and store discharged CO₂; and Floor Slab Replacement Machines (Semi-sectional works) and Head-bar Joints to improve work efficiency of floor slab replacement works for expressways.

To Strengthen Our Systems to Receive Orders for the Future

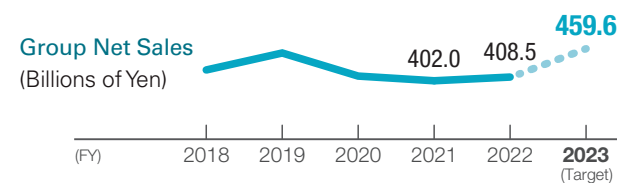
In our current Medium-Term Business Plan, we concentrate our resources on “developing the systems to enhance the Group's competitiveness in receiving orders,” and thereby intend to identify more ECI projects (ECI: Early Contractor Involvement; A method where the contractor participates from the design stage), etc. where we can utilize our strengths as a Group, and in addition, develop the organization to win bids thereof increasing employees in respective sections. In the realm of wind power generation projects, we have proactively initiated research and development, particularly with the foresight of the potential expansion of floating offshore wind power generation facilities in future. As we move forward, it is imperative to further enhance our competitiveness in receiving orders, improve our productivity, and further develop an efficient organization for better work implementation.

To Thoroughly Maintain Top-Priority on Worksites as Principle and Aim for Sustainable Growth

In TAISEI VISION 2030, our domestic civil engineering business stands as a cornerstone functioning for generating profits and maintaining sustainable growth, and civil engineering worksites are the source for them. We consistently uphold the principle of maintaining top-priority on works at project sites, ensure quality and safety well controlled with our pride and responsibility, and maximize the profits by overcoming various constraints with our efforts to pursue operational efficiency and enhance productivity. As we build a robust business foundation, we will also actively engage ourselves in new business areas in order to achieve a sustainable and resilient society.

Segment Overview

Net sales increased 1.6% year on year to ¥408.5 billion, despite the impact of rising raw material prices at Group company Taisei Rotech Corporation.



Medium-Term Business Plan (2021–2023) Key Initiatives

- To develop the systems to enhance the Group's competitiveness in receiving orders
 - Identify more ECI* projects, etc. where we can utilize our strengths as a group, and develop the organization to win bids thereof
 - Develop company-wide backup systems to win discretionary contracts and design changes
- To enhance the teams to win bids in the sectors where growth is expected, etc.
 - Enhance the teams and personnel to win bids for the projects related to dams, wind power generation facilities, and expressway renewal
- To expand our business areas through M&A
 - Strengthen expertise in core areas and address weaker sectors
 - Leverage the Group's capabilities in PPP projects

* ECI: Early Contractor Involvement; A method where the contractor participates from the design stage

TOPICS



Overall view of newly constructed sediment control dam

Two Years Post the Atami Debris Flow—Completion of Emergency Measures for the Aizome River System

Following the heavy rainfall in July 2021, debris flows were triggered in the affected areas of Atami-shi, Shizuoka Prefecture. The emergency sediment control construction, aimed at preventing secondary disasters and enabling swift restoration, has now been successfully completed.

To forestall further disasters, facilitate search operations downstream, and ensure the safety of local inhabitants, we embraced the use of ICT and DX technologies, employed helicopters for sediment removal, integrated unmanned construction methods, and erected temporary dam barriers. Through proactive planning and expedited construction efforts targeting the rapid rehabilitation and rejuvenation of the afflicted areas, we managed to successfully finalize the new sediment control dam constructions.



Nagoya Central Rainwater Regulation Reservoir

Completion of the Nagoya Central Rainwater Regulation Reservoir: Aiding in Flood Prevention around Nagoya Station

Beneath the primary arterial road running north-south to the east of Nagoya Station, a rainwater retention pipe has been constructed. This pipe boasts an internal diameter of 5.75 meters, delves approximately 50 meters deep, and stretches around 5,000 meters in length. Given the past flood damages resulting from heavy rainfalls, Nagoya City has been proactive in implementing measures against rainwater. The aim is to substantially mitigate the effects of inundation when faced with rainfall intensities nearing 100 millimeters per hour. The Nagoya Central Rainwater Regulation Reservoir was built overcoming challenging conditions such as its significant depth, high water pressure, and extended length. Utilizing innovative technologies, the project was not only expedited but also completed without any accidents or incidents.



Taketoyo Thermal Power Station

Completion of the Taketoyo Thermal Power Station Upgrade: Contributing to a Stable and Efficient Electricity Supply in the Region

The Taketoyo Thermal Power Station, located in Chita County, Aichi Prefecture, has completed its upgrade to transform into an environmentally conscious coal-fired power station by co-firing with wood biomass.

In the wake of the increased electricity demand and surging electricity costs following the Great East Japan Earthquake, there was a pressing need for the station to promptly resume its operations to ensure a reliable and efficient power supply to the region. Through this project, by proactively adopting precast construction methods for both offshore and onshore components, we were able to achieve various benefits, including a notably shortened construction timeline.



Example of construction of pavements made from wood (lignin)

Initiatives of Taisei Rotech Corporation

Taisei Rotech Corporation is actively pursuing the creation of pavements made from wood as part of its efforts towards a decarbonized society. Lignin, which comprises 30% of wood's composition, has a significant history of being utilized as a fuel for biomass power generation. By incorporating it into pavement production, it is possible to decrease the consumption of petroleum-based asphalt. This results in a reduction of CO₂ emissions by 20% to 30% during the manufacture of the composite materials.

Progress and Achievements for FY2022

- Strengthened our order acquisition capabilities
 - Handled more projects due to an enhanced bidding organizational structure
 - Secured substantial orders for NEXCO's highway-related projects
- Improved production capabilities
 - Evolution and broader application of T-iDigital Field (a construction management support system utilizing digital data) enhanced productivity
 - Undertook trials and validation for unmanned and labor-saving technologies on-site
 - Continued efforts to consolidate and streamline worksite operations
- Expanded bid-related organizations in promising growth sectors
 - Increased staffing for teams focused on dams, wind energy projects, and related areas
 - Using the Group's distinct technologies, secured numerous orders for floor slab replacements and seismic reinforcement projects

Future Measures

- Expand the scope of Group company ventures
 - Continue collaborative technological development with Group entities to establish unique and differentiated technologies
 - Enhance the bid organization structure to target and secure more government contracts
- Promote initiatives in anticipated growth areas
 - Engage proactively with the government's new “Hybrid Dam (tentative name)” project, an initiative spurred by recent frequent and severe flood events
 - Accelerate efforts to secure fixed-bed wind power generation projects, and speed up technical development for floating offshore wind energy project design and construction
- Broaden business domains
 - Engage in PPP/PFI ventures and concessions, leveraging the Group's collective strengths
 - Expand orders in renewable energy to support infrastructure initiatives aimed at a decarbonized society. Also, fast-track ventures into the Carbon Capture and Storage (CCS) sector



Group Overseas Construction Business

Managing Executive Officer
Chief of International Operations Headquarters
Tatsuya SUGAWARA

To Seize Opportunities from Development and Infrastructure Needs in Emerging Countries While Mitigating Risks

For the Taisei Group, the economic upswing in emerging Asian countries represents significant opportunities for our business expansion, which is further propelled by increased demands for infrastructure. The increase in capital investments among the countries enjoying the growth of the middle-class income population or proactively seeking foreign direct investments is also contributing to our potential business growth.

However, it is crucial in the international market to generate profits while managing business risks. It is imperative to properly analyze, assess, and respond to a variety of risk elements and situations, including the financial catastrophe in Official Development Assistance (ODA) recipient countries with economic instability; the geopolitical risks as exemplified by the crisis situation in Ukraine; and the financial risks associated with abnormal volatility in currency exchange rates.

To Earn Recognition for Our Superiority in Technical Capabilities, Quality and Safety Control

In many cases, our competitors in the overseas markets are local contractors. Whereas we have traditionally faced fierce price competition in the international construction market, the importance of not only the price but also technical proposal is increasing especially in the countries and regions experiencing economic growth. We have well-recognized as our business competitiveness our strengths in advanced technological capability, quality control, process and safety management, all of which we acquired through both domestic and international projects, while we have accomplished various projects including airports and shield tunneling projects. We see challenges for our business in future so as to increase our construction capacity and to train our engineers and further improve their capabilities. In addition to assigning our employees from the head office abroad, it is essential to find and employ well talented personnel locally, and to increase their retention rate through training. We are committed to fostering a working environment where all employees can appreciate the value and attractiveness of being part of the Group, thereby nurturing a strong sense of belonging.

To Establish a System for Ensuring a Balanced Mix of Different Project Sizes by Promoting Localization and Operations at Overseas Offices

Previously, our international operations were influenced by the fluctuation of work volume in domestic construction market so that we continuously managed to run unstable operations. Therefore, under the current Medium-Term Business Plan, we are focusing on establishing stable business foundations, while promoting localization and operations at overseas offices and cooperation with alliance partners by utilizing their resources and supply chains.

While two years have passed since the Medium-Term Business Plan was initiated, we are not yet satisfied with our business outcome during those years because our business has been affected by the impact of the COVID-19 pandemic and the emergence of geopolitical risks in Myanmar and Ukraine. We will continue to improve our price competitiveness and construction capacity to secure orders, through the development of human capital and enhanced collaboration with our alliance partners.

To Share the Attractiveness and Joy of Achievement in Our Business, and Further Create Significant Value

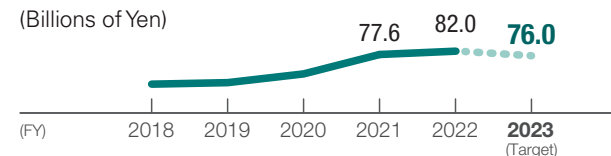
Although overseas construction business can be challenging, it is a compelling endeavor that contributes to national development by improving social and living infrastructures. Moreover, it holds the potential to become a core component of Taisei Group's future business, creating significant value. We aim to share our vision and values with younger employees as we strive for new heights in the next era.

Segment Overview

Net sales increased by 5.7% year on year to ¥82 billion, primarily due to the steady completion of ongoing construction projects.

Group Net Sales

(Billions of Yen)



Medium-Term Business Plan (2021–2023) Key Initiatives

Common

- To shift from the systems focusing on large-scale projects to the systems striving to ensure an optimal mix of different project sizes, by promoting both localization and operations at overseas offices, and collaborating with alliance partners

Building

- To build local networks by placing more and younger local sales staff
- To focus on allocating human resources to the airport sector, where the Group is internationally competitive

Civil engineering

- To cut the costs by utilizing the resources of alliance partners and our supply chain New business

TOPICS

Completion of the Qatar Hamad International Airport Expansion Project to Make a Bridge to the World as a Hub Airport in the Middle East

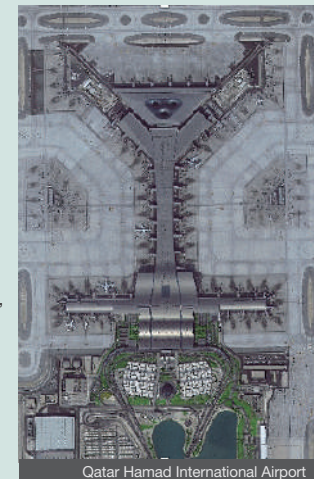


Construction Overview

Location	Qatar
Owner	Qatar Company for Airports Operation and Management (MATAR)
Constructor	Midmac, TAV, Taisei JV
Construction period	From November 2019 to December 2022
Construction overview	Extension of the central concourse: Total floor area 122,135 m ² Pavement of apron, renovation of existing concourse, utility equipment, etc.

Adjacent to the Hamad International Airport Passenger Terminal Building, which was completed in 2013, this construction will extend the central concourse to accommodate passengers increasing year by year. The offer for use began in October 2022 in conjunction with the FIFA World Cup Qatar held in the same year.

This facility has a huge greenhouse garden called Orchard, which is a lush green facility. Hamad International Airport, which officially opened in 2014, is expected to contribute significantly to Qatar's economic development by consolidating its position as a hub airport in the Middle East through the expansion of its central concourse to accommodate 58 million passengers per year, compared with existing 38 million passengers.



Singapore Subway Cross Island Line—Punggol Branch Line: Order Received for Construction Related to Riviera Station on Contract P103

In September last year, in collaboration with China State Construction Engineering Corporation Limited, we received an order for construction related to Riviera Station on Contract P103 Punggol Extension of the Cross Island MRT Line, a metropolitan railway (station building and tunnel construction, about 4.3 km long).

In the tunnel construction, a large-section earth pressure balanced (EPB) shield excavator with a diameter of about 12 m is used to construct a tunnel with a total length of 4.3 km, in which two tracks are laid.

Since the Riviera Station at which the construction will be carried out will be installed along Punggol East and Punggol Central districts, it is expected to improve traffic access for suburb residents. The Cross Island Line Punggol Extension is a 7.3 km section with four stations: Punggol, Riviera, Elias, and Pasir Ris. After its completion, the railway will be more convenient to use for more than 40,000 families living nearby.



CSR activities at IID (PT. INDOTAISEI INDAH DEVELOPMENT)



IID, an equity method affiliate in Indonesia, installed a water purification tank in the Kamojang district jointly with partner companies and tenant companies (August 2022).



In the Cianjur district, we collaborated with IID's tenant companies for support activities, including provision of school bags, stationery, drinking water, milk, and bedding mats to earthquake victims (December 2022).

Future Measures

Beyond the primary strategies outlined in our Medium-Term Business Plan, we are prioritizing the following initiatives:

- Recruitment and training of talent to bolster construction capabilities.
- Strengthening partnerships to enhance both our construction capacity and price competitiveness.
- Seeking greater business opportunities by expanding into new sectors and targeting a broader clientele.

Progress and Achievements for FY2022

- Secured construction contracts for the CONTRACT P103 DESIGN AND CONSTRUCTION OF RIVIERA INTERCHANGE STATION AND TUNNELS FOR CAR-PUNGGOL EXTENSION in Singapore, in collaboration with global partners.
- Deployed staff to pioneering companies within the non-contractual sector.



Group Real Estate Development Business

Executive Officer
Chief of Urban Development Division
Takashi YAMAZAKI

Major Group Companies in Charge:
Taisei-Yuraku Real Estate Co., Ltd.

To Catch up with the Rapidly Changing Market Environment

In recent years, we have seen a surge in large-scale real estate investment opportunities in the Tokyo metropolitan area, driven by growing demands for urban redevelopment and new development projects. This is a response to aging facilities and buildings, as well as functional mismatches resulting from a change in environments surrounding urban areas. Meanwhile, our business environment is becoming increasingly challenging in terms of profitability because fierce competition for rare and valuable projects is intensifying, particularly in the core regions of the Tokyo metropolitan area where there is strong demand from foreign investors, while the level of market rent for residences and offices has not risen as much as that of project costs such as construction costs.

To Demonstrate Our Strengths by Utilizing the Business Platform as the General Contractor for Real Estate Development

Our business as the real estate developer can enjoy an advantage of utilizing our business platform as a general contractor including a multitude of advanced technologies possessed by Taisei Group in areas such as design, building, engineering, and decarbonization. Our business advantage can be further enhanced because Taisei Group can provide a total coordination throughout the life cycle of the project from design and building services to maintenance and operation services after delivery of the building. Furthermore, by participating in real estate development projects as a joint developer, we are acquiring a series of premium development projects with our advantageous capability to push forward the projects while being involved throughout the project cycle from the proposal to the implementation in addition to an involvement with our business platform of the general contractor in initial stages. In domestic and international investments and development projects, we offer a range of services from technical assistance to design and building services thereby making optimal use of our business platform in order to meet our business partners' expectations.

To Optimize Our Real Estate Portfolio by Increasing Investment Balance

Based on the key measures of our Medium-Term Business Plan, we aim to optimize our real estate portfolio and secure stable development profits while acquiring premium real estate and increasing our investment balance through earlier-stage business involvement in urban redevelopment and major development projects. We plan to optimize our portfolio as swiftly as possible by balancing our flow business, which involves the sale of properties, with our stock business that generates ongoing revenue, such as rental offices and logistics facilities, and by considering the area, usage, and business structure.

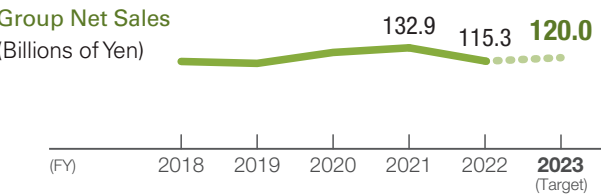
In addition, in order to diversify our sources of revenue, we plan to intensify our efforts in areas like PPP projects and operation-oriented businesses, which we expect to expand in the future as new business fields. By establishing such expertise promptly, we aim to offer more differentiated asset utilization proposals to our clients in the building construction and the civil engineering businesses. We will also strengthen cooperation among our Group companies and share project information to expand investment opportunities.

To Become a Group in Charge of “D” in CDE³ (Cubed) for Realizing Our Dreams

We are the division in charge of “D = Development” in “The Ever-Evolving CDE³ (cubed) Company” as stated in “TAISEI VISION 2030.” We will take the lead in realizing a mechanism to develop urban infrastructure, facilities and buildings that support a prosperous future through our civil engineering and building construction businesses, and continue to create value that leads to sustainable growth of society.

Segment Overview

Net sales decreased 13.2% year on year to ¥115.3 billion as a reaction to the sale of large properties in the Company in the previous fiscal year.



Medium-Term Business Plan (2021–2023) Key Initiatives

- Real estate: To build the optimal portfolio based on real estate market conditions, and develop the systems to ensure stable profits from development
 - Acquire premium real estate through project control from the upstream stages of urban redevelopment projects and major development projects
 - Optimize our real estate portfolio based on a balance of area, application, asset efficiency, and stable revenues
 - Enhance the brand recognition and brand strength of “OBER” condominiums and “TERRACE” rental condominiums
- Facility management: To secure the properties for facility management with planning and proposals tailored to customers' needs
 - Establish an integrated customer support system that covers everything from building construction to facility management
- PPP, etc.: To participate in the PPP business, etc. in order to diversify sources of revenue
 - Establish the operational systems for airport concession projects, and tackle new infrastructure operation business

TOPICS



Grand Opening of CENTARA GRAND HOTEL OSAKA and HOTEL KEIHAN NAMBA GRANDE in Conjunction with the Development of Namba Parks South

In the Osaka Namba area, the Company promoted the development of new city block Namba Parks South, which partially opened in March 2023 and had its grand opening in July. The Company also invested in the development of the following two properties.

●CENTARA GRAND HOTEL OSAKA

Main use: Hotel **Location:** Osaka City, Osaka
This property is a hotel operated by Centara Hotels & Resorts based in Bangkok, Thailand, which is making its debut in Japan. Based on the concept “the fusion of Thai and Japanese beauty and culture,” the hotel offers 515 guest rooms, an authentic Thai spa, and a rooftop restaurant on the top floor with a spectacular view of Osaka. The Company invested in the development of this property through investment in a special-purpose company established jointly with other companies.

●HOTEL KEIHAN NAMBA GRANDE

Main use: Hotel **Location:** Osaka City, Osaka
This property is a hotel operated by Hotel Keihan Co., Ltd. Based on the design concept “a garden standing on a green hill,” it has 227 guest rooms as well as restaurants. The Company invested in the development of this property jointly with other companies.



Initiatives of Taisei-Yuraku Real Estate Co., Ltd.

●Terrace Kamishakujii West

Main use: Apartment house **Location:** Nerima-ku, Tokyo
This property is a new rental condominium development project for which Taisei-Yuraku Real Estate Co., Ltd. acquired ZEH-M Oriented for the first time, and is a group collaboration project with TAISEI U-LEC Co., LTD. (design and construction). It is located nine minutes on foot from Kamishakujii Station on the Seibu Shinjuku Line, which has good access to central Tokyo. The area is convenient for living with supermarkets and restaurants around the station. Although it is located within the 23 wards of Tokyo, it has a quiet living environment rich in nature. All 49 rooms are occupied, as their spacious floor plan and energy-saving performance have been recognized. (As of April 2023)



Completion of Hakata East Terrace

Main use: Office **Location:** Fukuoka City, Fukuoka Prefecture
This property is located in the Hakata Station Chikushi-guchi area, which is close to Hakata Station, the gateway for ground transportation to Kyushu, and highly convenient for transportation. This has been a new base for business and crowds with a plaza space abundant with nature that serves as a place for crowds and daily relaxation, as well as one of the largest office floors in the Hakata area and work spaces equipped with support functions for diversified workstyles. The Company promoted and invested in the development of this property jointly with other companies.

Acquisition of Office Building, (Tentative Name) Mita Building

Main use: Office **Location:** Minato-ku, Tokyo
This property is located a three-minute walk from Sengakuji Station on the Toei Asakusa Line, highly convenient for transportation, along Daiichi Keihin with excellent visibility. It has a large common-use space and a multi-story parking lot in the building, making it a highly competitive office building in the area. The Company invested in the development of this property through investment in a special-purpose company established jointly with other companies.
In the future, we will further improve the value of this property by renovating it to further enhance its leasing capacity.

Progress and Achievements for FY2022

- Target Investment of ¥59 billion in prime properties in good locations such as CENTARA GRAND HOTEL OSAKA, HOTEL KEIHAN NAMBA GRANDE, Hakata East Terrace and (tentative name) Mita Building to build a portfolio. At the same time, participate in new investment areas such as value-up investment and set up offices
- Participated in a rental housing development project to convert part of an existing office building into rental housing in Los Angeles, California, USA
- Established Taisei Real Estate Asset Management Co., Ltd., an asset management company, to prepare for the start of private REIT operations in FY2023
- Started participating in the development, operation, maintenance and management of public and private facilities in the Todoroki Green Space Redevelopment, Operation, Etc. Project

Future Measures

- As in FY2022, we will continue to focus on the following measures in addition to the key measures in the Medium-Term Business Plan.
- Continue investments in line with the Medium-Term Business Plan to build a stable earnings base for the Group's development business (planned investment of ¥118 billion in FY2023)
 - Overseas investments are made mainly in the United States, where the real estate market is highly stable, and Vietnam and Taiwan, where growth is high.
 - FY2023 start of private REIT management (Initial asset size expected to be approximately ¥15 billion)
 - In the PFI and PPP fields, we will promote the development and operation of facilities under the Todoroki Green Space Redevelopment, Operation, Etc. Project.
 - In the facilities management business, in addition to involvement from the design stage, the Group maximizes its capabilities by adopting AI/IoT technologies and expanding its O&M business.



Group Engineering Business

Managing Executive Officer
Chief of Engineering Division

Shinichiro TAKAHAMA

Major Group Companies in Charge:

Network Alliance Corporation

As a Pioneering General Contractor in Engineering

We established the engineering division in 1968, ahead of other general contractors. Our core business model focuses on comprehending manufacturing processes and plant operations at manufacturing facilities, with the aim of optimizing entire facilities, beginning with the selection of production equipment.

For the manufacturing facilities we specialize in, our goal is to secure orders for the whole manufacturing facilities including buildings. This is achieved by merging our construction capabilities, with which we provide the manufacturing space and environment, and our technical expertise in production, logistics, and information technology.

Moving forward, we intend to adapt to the ever-changing market conditions. Leveraging our extensive technical knowledge and expertise, we will target a broad range of industries and sectors. We aim to continuously and stably meet the demand for capital investment, thereby realizing our business growth.

To Expand Orders Received by Catching Favorable Trends towards Our Business

In recent years, with rapid changes in the society and the market, accelerated by the COVID-19 pandemic and advancements in digitalization, we have seen favorable conditions for our engineering business. Investments have actually grown in several business fields: biopharmaceutical production facilities such as vaccine production lines in the pharmaceutical sector; manufacturing facilities for primary products of electronic devices related to semiconductor production; and labor-saving and automated facilities aimed at enhancing productivity in the food industry.

We strive to expand our business opportunities across various sectors by offering our unique technologies and problem-solution capabilities, which we have acquired through our extensive experience in designing and construction, as well as optimal solutions to the latent challenges and needs of our clients for manufacturing facilities.

To Achieve JPY 100 Billion in Received Orders and Net Sales

Looking beyond the current Medium-Term Business Plan, we aim for the numerical target that the amount of orders received and net sales should reach ¥100 billion by FY2030. This is double the orders received and quadruple the net sales compared to those of FY2021 results, aligning us with the business performance levels of our competitors specialized in the engineering field. One of our critical challenges is to establish the systems to achieve these increased orders and sales.

Firstly, in line with our employment plan aimed at the expansion of our business, we will enhance our team's strength by continuing to recruit new graduates as well as mid-career professionals and by strengthening our training methodologies.

Particularly, we will concentrate on urgently training project leaders who possess in-depth understanding of our clients' manufacturing processes and specialized expertise in plant operations, and facilitating the transfer of this technical know-how to the next generation. Further, by enhancing alliances with external partners, we aim to develop collaborative systems and expand our capacity to manage increased business volume.

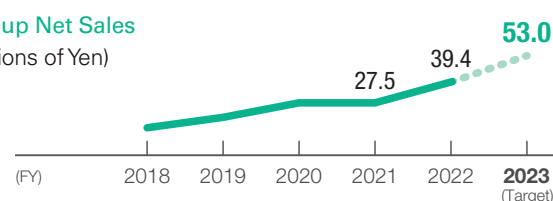
By creating and offering new value beyond the traditional confines of the construction industry, our Engineering Division aims to establish itself as a new pillar of Taisei Group, alongside the building construction business and the civil engineering business. This will enable us to produce unique significance not found in other general contractors in the market.

Segment Overview

Net sales increased 43.3% year on year to ¥39.4 billion, despite cancellations and postponements of planned projects due to the corona crisis.

Group Net Sales

(Billions of Yen)



Medium-Term Business Plan (2021–2023) Key Initiatives

- To strengthen the existing sectors
 - Pharmaceuticals sector: Utilize our strengths in terms of technology and expertise to enter the next-generation medical sector, including biopharmaceuticals and regenerative medicine
 - Food products sector: Enhance upstream consulting functions, and utilize technical expertise related to automation and labor-saving technology developed in the pharmaceutical sector
- To take on new growth sectors
 - Fine chemicals sector: Utilize the technology from the pharmaceuticals sector to enter markets in areas such as semiconductor and electronic device materials manufacturing facilities
 - Logistics sector: Secure competitive superiority in the logistics facility sector, and expand sales channels in the pharmaceuticals transportation and delivery business, by making use of our expertise related to proposals based on feasibility studies (FS) and the Guidelines on Good Distribution Practice (GDP)
- To develop the systems for expanding the scope of our businesses
 - Utilize external human capital to expand our production capabilities

TOPICS



New Solid Dosage Form Facility at the 2nd Kyushu Factory, Sawai Pharmaceutical Co., Ltd.

Start of construction of a new solid dosage form facility at the 2nd Kyushu Factory, a large generic drug factory of Sawai Pharmaceutical Co., Ltd.

The construction of a new solid dosage form facility started on the premises of the 2nd Kyushu Factory of Sawai Pharmaceutical Co., Ltd. This facility will be very important for achieving stable supply of generic drugs by securing space for the production of up to three billion tablets in advance, initially launching the production of two billion tablets, and planning to proceed with implementation according to market conditions and in-house development. This facility is large in size including production equipment, and the construction period must be short. We are, therefore, working on it by joining forces.



iFactory® Continuous Drug Substance Production System

Completion of a demonstration plant for the iFactory® continuous drug substance production system. We participated in the development of iFactory®, a pharmaceutical manufacturing facility that adopts a continuous production system instead of the current batch system.

iFactory® enables continuous production of high-performance chemicals by modularizing unit operations. Depending on the item, it can change the type and arrangement of modules and produce the only necessary amount of product only when they are needed.

The past verification revealed that the developed system can significantly reduce energy and waste compared to the conventional system.

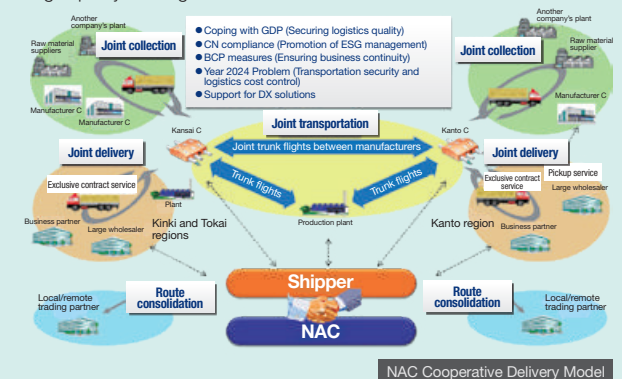
In the future, we aim to commercialize production facilities that contribute to energy conservation and the creation of a sustainable society in Japan.

*This project is subsidized by the New Energy and Industrial Technology Development Organization (NEDO).



Receipt of the order for the 3rd development building of Tokyo Electron Miyagi Ltd.

We received an order for a new development building at the head office plant of Tokyo Electron Miyagi Ltd. (Miyagi Prefecture), and started its construction. In the semiconductor market, which is expanding due to the digitalization of society, the semiconductor manufacturing equipment developed and manufactured by this company is expected to continue growing significantly in the future. This new building is attracting major expectations and attention, as it is constructed for the purpose of providing products equipped with features demanded by clients in a timely manner, with an eye to further reinforcement of technological development capabilities and expansion and diversification of technological needs. The Company will continue to make every effort to provide high-quality buildings that meet clients' needs.



Initiatives of Network Alliance Corporation (NAC)

Network Alliance Corporation (NAC) is a 3PL* business company established in 2003 to provide joint distribution services to pharmaceutical manufacturers.

Pharmaceutical distribution requires strict temperature control and other logistics quality in accordance with the Good Distribution Practice (GDP) Guideline (the Ministry of Health, Labour and Welfare), resulting in increased outsourcing from pharmaceutical manufacturers.

NAC is working to resolve a variety of issues through joint delivery.

*3PL (third-party logistics): A service in which a third party other than the shipper and transportation companies is comprehensively entrusted with the shipper's distribution operations, or companies that provide such a service.

Progress and Achievements for FY2022

- Deepening of Traditional Sectors:
 - Pharmaceuticals: Expanded orders leveraging our strong track record in biopharmaceutical manufacturing facilities, combined with differentiation strategies that include automation and labor-saving technologies.
 - Food Industry: Expanded order activity starting from the early phases, including feasibility study (FS)* operations.
 - Manufacturing Facilities: Consistent performance, especially in the electronic devices sector.
- Pursuits in Growth Sectors:
 - Fine Chemicals: Expansion in orders for manufacturing facilities focused on fine chemicals, including pharmaceutical active ingredients and electronic materials.
 - Logistics: Secured orders for logistics facilities linked with manufacturing plants.
- Structural Preparations for Business Expansion:
 - Broadened collaborative structures with external companies, inclusive of alliances.

* FS (Feasibility Study): Involves promoting consulting and evaluating the feasibility during the business planning phase.

Future Measures

Continuing from the core strategies of our Medium-Term Business Plan, we will emphasize the following:

- Broad application of our distinctive technologies and expertise.
- Intensified focus on feasibility studies and consulting services.
- Agile and timely proposals in line with shifts in societal contexts and market trends.
- Assurance of hiring and nurturing employees according to a future-oriented personnel strategy and cultivating project leaders swiftly to establish a foundational support for business expansion.