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Taisei Corporation

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Securities Code: 1801

<https://www.taisei.co.jp/>

The following describes the state of corporate governance at Taisei Corporation.

[Fundamental approach to corporate governance, capital structure, corporate attributes, and other basic information](#)

1. Fundamental approach

- In accordance with the Taisei Group Philosophy "To create a vibrant environment for all members of society" and the three pillars of the Taisei Spirit—"Active and Transparent Culture," "Value Creation," and "Evolution of Tradition"—to realize this philosophy, the Company aims to achieve sustained growth and to enhance corporate value in the medium and long run.
- The Company's fundamental approach to corporate governance is to ensure swiftness, appropriateness, fairness, and transparency in management decision-making in order to earn the trust of society while pursuing sustained development as a business.
- Taisei's Fundamental Corporate Governance Policy, which embodies the fundamental approach described above in response to the principles of the Corporate Governance Code, is posted on the Company's website.
https://www.taisei.co.jp/about_us/wn/assets/cms/pdf/governance_basic_policy.pdf (Japanese)
https://www.taisei.co.jp/english/assets/profile/governance/pdf/governance_basic_policy.pdf (English)

[Reasons for not putting into practice a part of the Corporate Governance Code's principles]

[Principle 1.4] (Cross-shareholdings)

(1) Policy on cross-shareholdings

In order to establish and strengthen long-term and stable relationships of mutual cooperation with its important business partners, to enhance its competitiveness, and to improve its profitability, the Company holds shares of such business partners as cross-shareholdings.

The Company's policy on cross-shareholdings is to sell such shares which, as a result of review, the Board of Directors (the "Board") deems as inconsistent with the policy because their holding is economically unreasonable from a medium- to long-term perspective and because their future prospects are dim. Thus, the Company believes that the number of shares held as cross-shareholdings will be reduced appropriately (for major such shares held by the Company, please refer to its financial statements).

https://www.taisei.co.jp/assets/about_us/corp/pdf/16104.pdf (Japanese Only)

(2) Verification of the economic rationality of cross-shareholdings, etc. by the Board

The Board periodically verifies whether it is economically reasonable from a medium- to long-term perspective to keep any of the listed shares held as cross-shareholdings and whether their future outlook is bright by considering their consistency with the policy and a quantitative comparison of capital costs and return risks.

(3) Criteria for the exercise of voting rights

The Company exercises its voting rights for cross-shareholdings appropriately from the viewpoint of whether holding them contributes to enhancing corporate value.

[Supplementary Principle 4.10.1] (Views on independency of composition of nominating committee and remuneration committee, etc.)

The Company establishes the Executive Personnel Committee and the Remuneration Committee as prior consultation bodies of the Board. While both committees are voluntarily established, those committees are, as well as the Board, composed so that discussions about multifaceted issues can be made between Internal Members of the Board with skills in the construction business management and Independent External Members of the Board with diverse insight, and so that the monitoring by the Independent External Audit & Supervisory Board Members can function effectively.

The Company's concept of independency is that, based on the presumption that the Internal Members of the Board (management executives) fulfill their accountability for the proposed agenda items, highly objective and transparent deliberations are made while respecting the opinions of External Members of the Board and External Audit & Supervisory Board Members. Both committees consist of the same number of External Members of the Board as the Internal Members of the Board and are chaired by one of the External Member of the Boards. External Audit & Supervisory Board Members are also members of the committees to ensure the appropriateness of the deliberations. In this way, the Company intends to further activate deliberations and ensures independency, objectivity and transparency.

The Executive Personnel Committee deliberates on the matters related to the personnel affairs of the Members of the Board and Executive Officers, including the nomination of candidates for the Members of the Board and Audit & Supervisory Board Members, the appointment and dismissal of Executive Officers, and the rewards and punishments of the Members of the Board and Executive Officers. In addition, the Remuneration Committee deliberates on the remuneration system for the Members of the Board and Executive Officers and the amount of remuneration based on the system.

[Disclosure based on the principles of the Corporate Governance Code]

[Principle 1.3] (Basic capital policy)

The Company strives to maintain and improve its strong financial foundation in order to enable its stable and continuous growth.

Based on the presumption that the Company will maintain and improve such strong financial foundation, the Company recognizes the payout ratio and ROE as guidelines for capital policy, considers capital efficiency, and returns profits to stakeholders appropriately while making the payment of a long-term and stable dividend as a basic policy.

[Principle 1.7] (Transactions between related parties)

The Company ensures that transactions with any of its Members of the Board or Executive Officers, major shareholders, or other stakeholders are brought before the Board or the Management Committee in advance in accordance with the "Board Regulations" or the "Regulations of Management Committee" according to the importance and nature of such transactions so that the same are reviewed and approved through due procedures.

[Supplementary Principle 2.4.1] (Ensuring diversity on employment of core personnel, etc.)

(1) Approach to ensuring diversity

The Taisei Group adopts the following basic approach to ensuring diversity: to employ of people with diverse abilities (diversity) and to develop an environment where such abilities can be exercised to the maximum extent (inclusion) to realize diversity management based on our Group Philosophy of "To create a vibrant environment for all members of society" and Taisei Spirit ("Active and transparent culture", "Value Creation", and "Evolution of Tradition") to pursue the Group Philosophy.

(2) Goals for ensuring diversity

The Company enhances diversity of gender, nationality, work style, career, etc., regardless of whether new graduates or mid-career recruitment, improves a working environment where employees can exercise their abilities to the maximum extent, and promotes working styles in which various employee can play active roles.

As for women employees, the Company focuses on the training to and promotion of managers/persons in position with duties and authorities considering the gender ratio at the time of employment. Currently, the Company aims to increase the number of women managers by more than 10 times by fiscal year 2025 comparing to that of fiscal year 2015. The Company also aims to increase the percentage of women employees in technical fields to 15% or more by 2030.

(3) Policies on human resources development and internal environment improvement for ensuring diversity

The Company's "Human Resources Development Policy (Diversity & Inclusion Policy)" which set forth policies concerning human resources development and the internal environment improvement in order to respect diversity and enable every executive and employee to maintain high levels of engagement and play active roles, is posted on its web site.

https://www.taisei.co.jp/about_us/corp/rinen/policys.html (Japanese)

<https://www.taisei.co.jp/english/profile/philosophy/policies/> (English)

(4) Implementation status of ensuring diversity

The Company's current status of ensuring diversity and implementing human resources development and internal environment improvement is posted on its web site.

Diversity & Inclusion

https://www.taisei.co.jp/about_us/sustainability/iso26000/human_rights/#anc2 (Japanese)

https://www.taisei.co.jp/english/sustainability/iso26000/human_rights/#anc2 (English)

[Principle 2.6] (Function fulfillment as the owner of corporate pension assets)

(1) In managing reserve funds for the corporate pension plan, the Company has established a system that enables it to fulfill the functions to be expected as an asset owner mainly in the manner of monitoring management firms while enhancing the Company's management expertise through the methods such as obtaining advice from external experts.

(2) To ensure that beneficiaries' interests are maximized and that conflicts of interest that may arise between the Company and beneficiaries are controlled appropriately, the Company verifies the management of reserve funds for the corporate pension plan through the Pension Preservation Council, which consists of members from the Company and labor union, and reviews the component ratio of policy assets.

[Principle 3.1] (Improvement of information disclosure)

(1) The aims of the Company (the achievement of the corporate philosophy, etc.), management strategy, and management plans

The Company's Structure of Values and Policies, which consists mainly of the Group Philosophy and management plans, is posted on its website.

https://www.taisei.co.jp/about_us/corp/rinen (Japanese)

<https://www.taisei.co.jp/english/profile/philosophy/> (English)

(2) Fundamental approach to corporate governance and the fundamental policy based on the principles of the Corporate Governance Code

1. Fundamental approach

The Company's fundamental approach to corporate governance is described in Section I.1. "Fundamental approach" in this Report.

2. Fundamental policy

The Company's Fundamental Corporate Governance Policy, which describes its response in accordance with the principles of the Corporate Governance Code, is posted on its website.

https://www.taisei.co.jp/about_us/wn/assets/cms/pdf/governance_basic_policy.pdf (Japanese)

https://www.taisei.co.jp/english/assets/profile/governance/pdf/governance_basic_policy.pdf (English)

(3) Policy and procedure for the Board to determine remuneration for executives and Members of the Board

1. Policy

Remuneration for Members of the Board consists of fixed compensation and performance-based compensation (monetary compensation) as well as non-monetary performance-based compensation (stock compensation).

Remuneration for Executive Officers consists of fixed compensation and performance-based compensation (monetary compensation).

Remuneration for External Members of the Board is fixed compensation.

2. Procedure

The system of remuneration for Members of the Board and Executive Officers as well as the amount of remuneration for each Member of the Board and Executive Officer based thereupon are determined by the Board after discussions at the Remuneration Committee, the Board's organ of advance consultation, which is chaired by an External Member of the Board.

(4) Policy and procedure for the Board to elect and dismiss executives as well as nominate candidates for Members of the Board and Audit & Supervisory Board Members

1. Policy

Candidates for Members of the Board are nominated, and Executive Officers are elected, from the viewpoint of selecting persons who will contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value after taking account of their attributes such as their careers, achievements, character, knowledge, experience, and abilities as well as the overall balance among Members of the Board in addition to diversity, which includes gender, international background, career and age. In order to attain the medium- to long-term vision and the Medium-Term Business Plan, the Board identifies the skills, etc. that the Board should cover, and nominates candidates for the Members of the Board based on such identified skills. Dismissal may be discussed if any of the attributes that were expected at the time of election to manifest are not recognized.

Candidates for Audit & Supervisory Board Members are nominated from the viewpoint of selecting persons who contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value after taking account of their attributes such as their careers, achievements, character, knowledge, experience, and abilities as well as the overall balance among Audit & Supervisory Board Members. The Company has selected individuals who have expertise in finance, accounting, and legal affairs. Among them at least one individual has considerable expertise in finance and accounting in particular.

2. Procedure

Nomination of candidates for Members of the Board and Audit & Supervisory Board Members as well as election and dismissal of Executive Officers are determined by the Board after discussions at the Executive Personnel Committee, the Board's organ of advance consultation, which is chaired by an External Members of the Board. Nominations of candidates for Audit & Supervisory Board Members are determined by the Board with the consent of the Audit & Supervisory Board.

(5) Explanations about the election or dismissal of Executive Officers and the nomination of candidates for Members of the Board and Audit & Supervisory Board Members given upon election or dismissal or nomination by the Board in accordance with Section (4) above

1. Candidates for Members of the Board

The reasons for each candidate for External Member of the Board's nomination are described in the financial statements and Section II.1. of this Report, "[Category: Members of the Board] Relationships with companies (2)."

Financial statements: https://www.taisei.co.jp/assets/about_us/corp/pdf/16104.pdf (Japanese Only)

The reasons for nominating each candidate for Internal Members of the Board in 2020 are as follows.

- Takashi YAMAUCHI, Member of the Board(re-elected in June 2021)
Mr. Takashi YAMAUCHI assumed the leadership of business management as President and Chief Executive Officer in April 2007 and has contributed to establishing the foundation for growth of the Company and the Taisei Group. In addition, he has led discussion at the meetings of the Board as Chairman and Representative Director and contributed to making the discussion more fruitful since April 2015. Since April 2020, he has managed the meetings of the Board appropriately as the Chairman of the Board. As Mr. Takashi YAMAUCHI can be expected to contribute to further enhancing the Company's corporate value with his excellent leadership, we nominate him as a candidate for Member of the Board again.
- Yoshiro AIKAWA, Representative Director (re-elected in June 2021)
Ever since Mr. Yoshiro AIKAWA joined the Company, he has been engaged in the building construction business and he has successively held various posts such as Chief of Kyushu Branch; Chief of Marketing & Sales (Building Construction) Division II; and Chief of Architecture & Engineering Division (Integrated) and Chief of Building Construction Division. Since June 2020, he has managed the Company as President and Chief Executive Officer and contributed to establishing the foundation for future growth of the Company and the Taisei Group. As Mr. Yoshiro AIKAWA can be expected to contribute to enhancing the decision-making and supervising functions of the meetings of the Board based on his wealth of experience and profound knowledge, we nominate him as a candidate for Member of the Board again.
- Shigeyuki SAKURAI, Representative Director (re-elected in June 2021)
Mr. Shigeyuki SAKURAI was appointed as a Member of the Board in June 2013, and he has been involved in the management of the Company as Representative Director and Executive Officer since April 2015. He has successively

held various posts such as General Manager of Finance Department, General Manager of Accounting Department and Chief of Business Administration Division and he has contributed a lot to the improvement of the financial standing of the Company in a difficult business environment by making use of his considerable expert knowledge in the accounting and financial fields. As we have judged that his broad experience and knowledge are indispensable for reinforcing the decision-making and supervising functions of the board meetings, we nominate him as a candidate for Member of the Board again.

- Shigeyoshi TANAKA, Representative Director (re-elected in June 2021)
Mr. Shigeyoshi TANAKA was appointed as a Member of the Board in June 2015, and he has been involved in the management of the Company as Representative Director and Executive Officer since April 2019. He has successively held various posts such as Chief of Kyushu Branch and Chief of Corporate Planning Office. At present, he is performing his duties as Chief of Civil Engineering Division. As Mr. Shigeyoshi TANAKA has considerable expert knowledge based on his broad experience to contribute to further enhancing the Company's corporate value through the development and promotion of strategies to overcome challenges such as reinforcement of production systems in the civil engineering sector, we nominate him as a candidate for Member of the Board again.
- Norihiko YAGUCHI, Representative Director (re-elected in June 2021)
Mr. Norihiko YAGUCHI has many years of experience in the building construction business. He has successively held various posts such as Chief of Chugoku Branch and Chief of Architecture & Engineering Division (Integrated), and he has been involved in the management of the Company as Member of the Board and Executive Officer since June 2015. At present, he is performing his duties as Chief of Marketing & Sales Division (Integrated). As Mr. Norihiko YAGUCHI can be expected to contribute to further enhancing the Company's corporate value through the development and implementation of sales strategies, we nominate him as a candidate for Member of the Board again.
- Hiroshi KIMURA, Member of the Board (re-elected in June 2021)
Ever since Mr. Hiroshi KIMURA joined the Company, he has been engaged in the civil engineering business and he has successively held various posts such as Chief of Chugoku Branch and Deputy Chief of Marketing & Sales (Civil Engineering) Division ever since he was appointed as an executive officer in April 2015. At present he is performing his duties as Deputy Chief of Marketing & Sales Division (Integrated) and Chief of Marketing & Sales (Civil Engineering Division). As Mr. Hiroshi KIMURA can be expected to contribute to further enhancing the Company's corporate value through the development and promotion of sales by making use of his broad knowledge about the Company business in general, including civil engineering business, we nominate him as a candidate for Member of the Board again.
- Atsushi YAMAMOTO, Member of the Board (newly elected in June 2021)
Ever since Mr. Atsushi YAMAMOTO joined the Company, he has been engaged in the business administration division, and after he was appointed as an executive officer, he has successively held various posts such as General Manager of Secretarial Department, and Deputy Chief of Business Administration Division. At present, he is performing his duty as Chief of Marketing & Sales Promotion Division with his plenty of experiences. As Mr. Atsushi YAMAMOTO is expected to contribute to further enhancing the Company's corporate value through his wide knowledge about the business management, we newly nominate him as a candidate for Member of the Board.
- Yoshihiro TERAMOTO, Member of the Board (newly elected in June 2021)
Ever since Mr. Yoshihiro TERAMOTO joined the Company, he has been engaged in the building construction business and he has successively held various posts such as Chief of Kyusyu Branch and Chief of Yokohama Branch after he was appointed as an executive officer in April 2017. At present he is performing his duties as Chief of Architecture & Engineering Division (Integrated); Chief of Building Construction Division. As Mr. Yoshihiro TERAMOTO can be expected to contribute to further enhancing the Company's corporate value through the development and promotion of strategies to overcome challenges such as reinforcement of construction systems in the building construction sector, we newly nominate him as a candidate for Member of the Board.

2. Candidates for Audit & Supervisory Board Members

The reasons for each candidate for External Audit & Supervisory Board Member's nomination are described in the financial statements and Section II.1. of this Report, "[Category: Audit & Supervisory Board Members] Relationships with companies (2)."

Financial statements: https://www.taisei.co.jp/assets/about_us/corp/pdf/16104.pdf (Japanese Only)

The reasons for nominating each candidate for Internal Audit & Supervisory Board Membership in 2019 are as follows.

- Takashi HAYASHI, Audit & Supervisory Board Member (newly elected in June 2019)
Mr. Takashi HAYASHI has chiefly engaged in finance, accounting, and business administration; has held various posts, including Executive Officer at the Company and representative director at several subsidiaries; and possesses a high level of knowledge regarding finance and accounting as well as many years of experience as a corporate executive. Based on his past performance, he is considered to be suitable for carrying out the task of improving audits by Audit & Supervisory Board Members at the Company, and thus we nominate him as a candidate for Audit & Supervisory Board Member.
- Akihiko NOMA, Audit & Supervisory Board Member (newly elected in June 2019)
Mr. Akihiko NOMA has mainly engaged in duties related to legal affairs and contracts; has held various posts, including manager of international business administration and project promotion departments; and possesses a high level of expertise and international perspective. Based on his past performance, he is considered to be suitable for carrying out the task of improving audits by Audit & Supervisory Board Members at the Company, and thus we nominate him as a candidate for Audit & Supervisory Board Member.

[Supplementary Principle 3.1.3] (Initiatives on sustainable development, etc.)

Taisei Group's fundamental policy on sustainable development is to realize Sustainability Transformation (SX), which aims to resolve sustainable development issues through our businesses centered on the construction industry, and to contribute to the development of a resilient society where people can live affluent and cultural lives, based on our Group Philosophy of "To create a vibrant environment for all members of society" and Taisei Spirit ("Active and Transparent Culture" "Value Creation" and "Evolution of Tradition") to pursue the Group Philosophy.

Recognizing that addressing sustainable development issues will not only reduce the risks but also lead to new profit opportunities, we will positively and proactively strive to undertake those issues.

The Company established "Sustainability Division (Integrated)" in April 2022 to unify the organizational structure related to sustainability management, and also established "Sustainability Management Promotion Division" and "Clean Energy & Environment Business Promotion Division" within the said Division (Integrated) to accelerate Taisei Group's sustainability initiatives by clearly separating strategic functions from business promotion functions. At the same time, in order to clarify the responsibility for Taisei Group's promotion of sustainability, Chief of Sustainability Division (Integrated) has been appointed as Chief Sustainability Officer (CSO) to strengthen its sustainability management and initiatives for Sustainable Development Goals (SDGs).

(1) Initiatives on sustainable development

Among the sustainable development issues, particularly important issues are identified as material issues (to be dealt with), and key measures, specific measures, and KPIs related to the material issues are to be reflected on the Medium-Term Business Plan.

[The Medium-Term Business Plan]

https://www.taisei.co.jp/about_us/ir/data/group.html (Japanese)

<https://www.taisei.co.jp/english/ir/plan/> (English)

(2) Investments in human resources and intellectual properties, etc.

The Company's measures, progress and KPIs on sustainable development issues are posted on its website.

https://www.taisei.co.jp/about_us/sustainability/iso26000/ (Japanese)

<https://www.taisei.co.jp/english/sustainability/iso26000/>(English)

(3) Disclosure based on the TCFD framework

The impact of climate change related risks and revenue opportunities on our group's business activities and earnings etc., is disclosed in accordance with the framework described in the TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

The details are posted on our website.

[Information disclosure based on TCFD framework]

https://www.taisei.co.jp/about_us/sustainability/tcf.html(Japanese)

<https://www.taisei.co.jp/english/sustainability/tcf.html>(English)

[Supplementary Principle 4.1.1] (Scope of delegation to executives)

The Board makes important decisions on business execution as stipulated in relevant laws and ordinances, the Articles of Incorporation, and the Board Regulations.

The Management Committee is newly established as the decision-making organ for business execution of the Company, and the Regulations of Management Committee stipulate the authority for decision-making related to business execution that is delegated to the Management Committee by the Board. Furthermore, the system of Executive Officers has been adopted to facilitate flexible execution of business.

[Principle 4.8] (Effective utilization of Independent External Members of the Board)

At present, four of the Company's twelve Members of the Board are Independent External Members of the Board.

Among the External Members of the Board, Ms. Atsuko NISHIMURA has contributed to bolstering deliberations and managerial supervision at the Board from diverse viewpoints that make the most of her international and objective perspectives based on her experience and knowledge as a diplomat since she became an External Member of the Board in 2017. Mr. Takao MURAKAMI, Mr. Norio OTSUKA, and Mr. Fumiya KOKUBU are contributing to strengthening decision-making and managerial supervision concerning important matters such as the election and dismissal of executives and management strategy planning by making the most of their rich experience and knowledge obtained as corporate managers and executives.

[Principle 4.9] (Criteria and attributes for judging the independency of Independent External Members of the Board)

The Board stipulates criteria for judging the independency of External Members of the Board in Article 18 of the Fundamental Corporate Governance Policy.

https://www.taisei.co.jp/about_us/wn/assets/cms/pdf/governance_basic_policy.pdf (Japanese)

https://www.taisei.co.jp/english/assets/profile/governance/pdf/governance_basic_policy.pdf (English)

[Supplementary Principle 4.11.1] (Structure of the Board and procedure for selecting members)

The Company's Board consists of eight Internal Members of the Board and four External Members of the Board that are elected upon the identification of the skills, etc. that the Board should cover in order to attain the medium- to long-term vision and the Medium-Term Business Plan and in consideration of each member's character, knowledge, experience, and abilities, the overall balance among Board members, and diversity (e.g., gender, international background, career and age). Internal Members of the Board strive to ensure appropriate decision-making and supervision of business execution by expressing useful opinions that make the most of their rich business experience obtained from years of engagement in the Company's business. External Members of the Board do so by expressing useful opinions from objective viewpoints based on their abundant experience and extensive knowledge as an executive or equivalent. Please refer to the skill matrix which displays each Member of the Board's careers, etc. on the Notice of the General Meeting of Shareholders.

https://www.taisei.co.jp/about_us/ir/soukai.html (Japanese)

<https://www.taisei.co.jp/english/ir/meeting/> (English)

The policy and procedure for the election of Members of the Board are described in Section [Principle 3.1] (4).

[Supplementary Principle 4.11.2] (Posts held by Members of the Board or Audit & Supervisory Board Members concurrently)
If a Member of the Board or Audit & Supervisory Board Member of the Company concurrently serves as an executive at other listed companies, he or she shall limit his or her service to the range necessary and reasonable to appropriately fulfill such roles and responsibilities.

Important posts that Members of the Board and Audit & Supervisory Board Members of the Company hold concurrently as well as the attendance of External Members of the Board and External Audit & Supervisory Board Members at meetings of the Board and the Audit & Supervisory Board held in fiscal year 2020 are included in the notice of the General Meeting of Shareholders.

https://www.taisei.co.jp/about_us/ir/soukai.html (Japanese)

<https://www.taisei.co.jp/english/ir/meeting/> (English)

[Supplementary Principle 4.11.3] (Analysis and evaluation of the overall effectiveness of the Board)

The Board of the Company analyzes and evaluates effectiveness of the Board and discloses the results annually.

I. Fiscal year 2020 initiatives based on the fiscal year 2019 evaluation

In fiscal year 2020, in order to invigorate and substantiate the deliberations at the Board and further strengthen its supervisory functions, the Company reviewed the governance system and established the Management Committee, a decision-making organ for business execution, and strove for swifter decision-making by delegating a wider range of authority to the executive side.

In the fiscal year 2019 evaluation of effectiveness, we identified the challenges listed below as the Company reviewed the governance system:

- To further enhance discussions from a medium- to long-term perspective
- To fully utilize the new governance system to maintain and strengthen competitiveness
- To review the operation of the system continuously and flexibly depending on the situation
- To prepare concise materials focusing on essential points
- To make effective use of information equipment for timely information sharing

Based on the results of the evaluation, the Company worked on the following in fiscal year 2020:

[To enhance deliberations in formulating a Medium-Term Business Plan]

In formulating a new Medium-Term Business Plan (2021–2023), the Board and the Management Committee strove to enhance discussions regarding our 10-year vision “Taisei Vision 2030”, and initiatives for the next three years to realize the vision by holding several meetings and spending sufficient time thereon.

[To confirm the operation of the new governance system]

The Governance System Review Committee, one of the committees within the Board, analyzed the agenda of the Board to compare the content and number of matters taken up for discussion, the time required for discussing them, and so forth with those for the previous year and verify the appropriateness thereof. Based on the results of the verification, the Committee examined the governance system to further improve it, mainly by reviewing matters to be brought before the Board.

[To make effective use of information equipment]

By improvement of a cloud environment and effective use of tablet devices, the Members of the Board are provided an environment that enables them to view meeting materials in advance. In addition, a Web conference system was introduced for certain part of the prior briefings for the Board.

II. Overview of the fiscal year 2020 evaluation

The method used to evaluate effectiveness in fiscal year 2020, the first year of the new system, and the results of the evaluation are as outlined below.

(1) Evaluation method and process

- The secretariat prepared a self-evaluation questionnaire (evaluation sheet for the Board) and obtained approval of its content from the Board, and all Members of Board and Audit & Supervisory Board conducted self-evaluations using the questionnaire.
- The evaluation items in the questionnaire are as listed below. Items 1–4 consisted of five-grade assessments and free descriptions, and Items 5 and 6 comprised free descriptions.

<<Evaluation items>>

1. Self-evaluation as a member of the Board
2. Structure and operation of the Board
3. Effectiveness of the Board
4. Support system
5. Process and content of deliberation to formulate the Medium-Term Business Plan
6. General evaluation of the Board

- The secretariat collated the results of the self-evaluations, and the External Members of the Board conducted an overall assessment of them.
- At the same time, a lawyer prepared a third-party's opinion toward the results of the self-evaluations.
- Then the Board deliberated on the effectiveness of fiscal year 2020 based on the overall assessment and the third-party's opinion.

(2) Results of the evaluation of effectiveness of the Board

- As the results of analysis, the Board is evaluated as functioning effectively through the invigorated, substantial deliberations on important matters such as the Medium-Term Business Plan and the efficient sharing of materials under the support system.

III. Future initiatives

In the future, in order to further enhance its effectiveness, the Board will improve its operation by tackling the challenges listed below.

- To follow up on the Medium-Term Business Plan and focus on discussions to enhance corporate value in the medium to long run
- To narrow down the number of agenda items, simplify meeting materials and briefings, and take other measures to secure more time for deliberation
- To ensure that internal and external executives sharing awareness and fully exchanging opinions through open-ended discussion, etc.
- To consider specific ways to increase the effectiveness of group governance
- To review the structure, functions, and discussion methods of the committees within the Board in a medium to long-term perspective
- To create an even better environment from the viewpoint of BCP, such as online conferencing

[Supplementary Principle 4.14.2] (Training policy for Members of the Board and Audit & Supervisory Board Members)

The Company provides necessary training and materials for Members of the Board and Audit & Supervisory Board Members to fulfill their roles and responsibilities upon taking up their offices, and this training and materials cover the relevant laws and ordinances, Articles of Incorporation, Board Regulations, and internal regulations that stipulate the Company's important policies and other guidelines.

In addition to the aforementioned training, the Company continuously offers opportunities to receive training from external organizations, experts, and other parties.

In an effort to facilitate a deeper understanding of the Taisei Group and its business among External Members of the Board and External Audit & Supervisory Board Members, internal Members of the Board or other employees provide them with explanations regarding the subject business during the prior briefing sessions when necessary. In addition, other measures such as visits to work sites are organized.

[Principle 5.1] (Policy for constructive dialogue with shareholders)

The Company's IR Policy, which stipulates a policy on initiatives to establish a system to promote constructive dialogue with shareholders, is posted on the Company's website.

https://www.taisei.co.jp/about_us/corp/pdf/ir_policy.pdf (Japanese)

https://www.taisei.co.jp/english/assets/profile/philosophy/policies/pdf/ir_policy.pdf (English)

2. Capital structure

Percentage of shares owned by foreign nationals

At least 20% and less than 30%

[Major shareholders]

Name	No. of shares owned	Percentage (%)
Master Trust Bank of Japan, Ltd. (Trust account)	29,180,300	14.36
Custody Bank of Japan, Ltd. (Trust account)	11,697,000	5.75
Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account)	5,857,800	2.88
Taisei Associates' Shareholding Plan	5,704,300	2.81
JPMorgan Securities Japan Co., Ltd.	4,966,958	2.44
Custody Bank of Japan, Ltd. (Trust Account No.7)	3,797,600	1.87
Taisei Employees' Shareholding Plan	3,667,120	1.80
State Street Bank West Client-Treaty 505234	3,238,310	1.59
Meiji Yasuda Life Insurance Company	2,847,798	1.40
SSBTC CLIENT OMNIBUS ACCOUNT	2,579,244	1.27

Is there a controlling shareholder (excluding the parent company)?

Is there a parent company?

No

Supplementary explanations

The above list of major shareholders is as of September 30, 2021.

The report of large holdings made available for public inspection on December 4, 2020 states that as of November 30, 2020, BlackRock Japan Co., Ltd. and its joint owners held shares in the Company as listed below, but since the Company could

not confirm the number of shares actually held by them on September 30, 2021, the status of the major shareholders described above is based on the list of shareholders.

- Owners: BlackRock Japan Co., Ltd. and six other persons
- No. of shares owned: 11,674,829
- Percentage of shares owned: 5.20%

The report (change report) of large holdings made available for public inspection on January 8, 2021 states that as of December 31, 2020, Mizuho Bank Ltd. and its joint owners held shares in the Company as listed below, but since the Company could not confirm the number of shares actually held by them on September 30, 2021, the status of the major shareholders described above is based on the list of shareholders.

- Owners: Mizuho Bank, Ltd. and one other person
- No. of shares owned: 13,763,513
- Percentage of shares owned: 6.13%

The report (change report) of large holdings made available for public inspection on June 21, 2021 states that as of June 15, 2021, Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint owners held shares in the Company as listed below, but since the Company could not confirm the number of shares actually held by them on September 30, 2021, the status of the major shareholders described above is based on the list of shareholders.

- Owners: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
- No. of shares owned: 14,022,600
- Percentage of shares owned: 6.25%

3. Corporate attributes

Stock exchange listing the Company's shares & market category	Tokyo Stock Exchange Prime Market, Nagoya Stock Exchange Premier Market
Fiscal year-end	March
Industry type	Construction business
No. of employees as of most recent business year end (consolidated)	1,000 or more
Net sales for most recent business year (consolidated)	1 trillion yen or more
No. of consolidated subsidiaries as of most recent business year end	At least 10 companies and less than 50

4. Guidelines on policy for protecting minority shareholders when the Company interacts with controlling shareholders

5. Other special circumstances that may have serious effects on corporate governance

None

Organization of business management related to managerial decision-making, execution, and supervision and other aspects of the corporate governance system

1. Matters related to organizational structure and management, etc.

Type of organization	Company with audit & supervisory board members
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[Members of the Board]

No. of Members of the Board stipulated in the Articles of Incorporation	15
Term of office of Members of the Board stipulated in the Articles of Incorporation	One year
Chairman of the Board	Chairman
No. of Members of the Board	12
Election of External Members of the Board	Elected
No. of External Members of the Board	4
No. of External Members of the Board designated as independent executive	4

Relationships with companies (1)

Name	Attribute	Relationships with companies (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Atsuko NISHIMURA	Other												
Takao MURAKAMI	Formerly worked for another company								△				
Norio OTSUKA	Formerly worked for another company								△				
Fumiya KOKUBU	Formerly worked for another company								△				

* Choices of relationships with companies

* A white circle (“○”) indicates the item currently or has recently applied to the Member of the Board, while a white triangle (“△”) indicates such item applied previously.

* A black circle (“●”) indicates the item currently or has recently applied to any of the Member of the Board's relatives, while a black triangle (“▲”) indicates such item applied previously.

- Business executive at a listed company or its subsidiary
- Business executive or non-executive director at the parent company of a listed company
- Business executive at a sister company of a listed company
- Person whose major business partner is a listed company or his/her business executive
- Major business partner of a listed company or its business executive
- Consultant, accounting expert, or legal profession who receives a large amount of funds or other assets from a listed company in addition to executive remuneration
- Major shareholder of a listed company (if the major shareholder is a corporation, a business executive of the corporation)
- Business executive (the Member of the Board in question only) at a business partner (which does not fall under any of the entities listed in d, e, and f) of a listed company
- Business executive (the Member of the Board in question only) at an entity with which external executives are mutually exchanged
- Business executive (the Member of the Board in question only) at an entity to which a listed company has given a donation
- Other

Name	Independent executive	Supplementary explanations about the item concerned	Reasons for election
Atsuko NISHIMURA	○	Before becoming a Member of the Board of the Company, Ms. Atsuko NISHIMURA served in diplomatic and other important posts. However, she left the Ministry of Foreign Affairs before joining the Company as a Member of the Board. The Company has business dealings with the Ministry but does not have a special interest therein.	As Ms. Atsuko NISHIMURA has rich international experience as a former diplomat, and deep knowledge and excellent insight based on such experience, she is expected to contribute to invigorating the Board and further enhancing the Company's corporate value by supervising management from objective, neutral and global perspective and through decision-making on important matters such as the election and dismissal of executives, and the implementation of international projects. Therefore, we consider she is suitable for the position and appoint her as an External Member of the Board. Ms. Atsuko NISHIMURA has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to her and because the Company has determined that there is no concern about conflicts of interest between her and general shareholders.
Takao MURAKAMI	○	Before becoming a Member of the Board of the Company, Mr. Takao MURAKAMI was in charge of management as Representative Director and Chairman at Sapporo Holdings Ltd., but he resigned from this directorship before joining the Company as a Member of the Board. The Company has business dealings with Sapporo Holdings, but the percentage of transactions with the latter to the former's consolidated net sales is small, and such transactions are considered unlikely to affect the decisions of shareholders and investors. Therefore, an overview thereof is omitted.	As Mr. Takao MURAKAMI has rich experience in corporate management in various industries as a former Chairman of the Board, Representative Director of Sapporo Holdings Limited and external member of the Board in several corporations, and deep knowledge and excellent insight based on such experience, he is expected to contribute to invigorating the Board and further enhancing the Company's corporate value by supervising management from objective, neutral and diverse perspective and through decision-making on important matters such as the election and dismissal of executives, and the formulation of management strategy. Therefore, we consider he is suitable for the position and appoint him as an External Member of the Board. Mr. Takao MURAKAMI has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.
Norio OTSUKA	○	Before becoming a Member of the Board of the Company, Mr. Norio OTSUKA was in charge of management as Director, President and CEO at NSK Ltd., but he resigned from this directorship before joining the Company as a Member of the Board. The Company has business dealings with NSK, but the percentage of transactions with the latter to the former's consolidated net sales is small, and such transactions are considered unlikely to affect the decisions of shareholders and investors. Therefore, an overview thereof is omitted.	As Mr. Norio OTSUKA has rich experience in corporate management in various industries as a former President and Chief Executive Officer of NSK Ltd. and external member of the Board in several corporations, and deep knowledge and excellent insight based on such experience, he is expected to contribute to invigorating the Board and further enhancing the Company's corporate value by supervising management from objective, neutral and diverse perspective and through decision-making on important matters such as the election and dismissal of executives, and the formulation of management strategy. Therefore, we consider he is suitable for the position and appoint him as an External Member of the Board. Mr. Norio OTSUKA has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.
Fumiya KOKUBU	○	Before becoming a Member of the Board of the Company, Mr. Fumiya KOKUBU was in charge of management as President and CEO, Member of the Board at Marubeni Corporation, but he resigned from this directorship before joining the Company as a Member of the Board. Currently, he is in charge of management at the trading firm as Chairman of the Board, without the right of representation. The Company has business dealings with Marubeni, but the percentage of transactions with the latter to the former's consolidated net sales is small, and such transactions are considered unlikely to affect the decisions of shareholders and investors. Therefore, an overview thereof is omitted.	As Mr. Fumiya KOKUBU has rich experience in global corporate management as a Chairman, Member of the Board of Marubeni Corporation, and deep knowledge and excellent insight based on such experience, he is expected to contribute to invigorating the Board and further enhancing the Company's corporate value by supervising management from objective, neutral and global perspective and through decision-making on important matters such as the election and dismissal of executives, and international business. Therefore, we consider he is suitable for the position and appoint him as an External Member of the Board. Mr. Fumiya KOKUBU has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.

[Voluntary Committees]

Is there a voluntary committee that is a nomination or remuneration committee?

Yes

Establishment of voluntary committees, committee structures, and attributes of the chairman

	Committee name	Total No. of members	No. of full-time members	No. of Internal Member of the Board	No. of External Member of the Board	No. of external experts	No. of other members	Chairman
Voluntary committee that is a nomination committee	Executive Personnel Committee	9	0	4	4	0	1	External Member of the Board
Voluntary committee that is a remuneration committee	Remuneration Committee	9	0	4	4	0	1	External Member of the Board

Supplementary explanations

The Executive Personnel Committee and the Remuneration Committee are convened as required, and the Secretarial Department serves as their secretariat. Regarding the authorities and roles of those committees, and the Company's view of the independency relating to the composition of the committees and so forth, please refer to [Supplementary Principle 4.10.1] of [Reasons for not putting into practice a part of the Corporate Governance Code's principles] under Section I of this report.

[Audit & Supervisory Board Members]

Has an Audit & Supervisory Board been established?

Yes

No. of Audit & Supervisory Board Members stipulated in the Articles of Incorporation

6

No. of Audit & Supervisory Board Members

6

Cooperation among Audit & Supervisory Board Members, accounting auditors, and the internal audit unit

Audit & Supervisory Board Members have six regular meetings annually with accounting auditors. Members receive explanations from accounting auditors regarding audit plans, including the current year's audit policy and the places to be audited. During the term, they receive reports on the audits conducted, and at the end of the term, they receive reports on the results of the audits conducted. They maintain close cooperation with the Auditing Department, an internal audit unit, mainly by periodically holding meetings to receive explanations about audit plans and reports on the results of audits.

Are External Audit & Supervisory Board Members elected?

Yes

No. of External Audit & Supervisory Board Members

4

Of External Audit & Supervisory Board Members, No. designated as independent executive

4

Relationships with companies (1)

Name	Attribute	Relationships with companies (*)														
		a	b	c	d	e	f	g	h	i	j	k	l	m		
Yasuhiro SATO	Formerly worked for another company													△		
Seishi TASHIRO	Other															
Keiko OHARA	Lawyer															

Masamitsu MIURA	Other																		
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* Choices of relationships with companies

* A white circle (“○”) indicates the item currently or has recently applied to the Audit & Supervisory Board Member, while a white triangle (“△”) indicates such item applied previously.

* A black circle (“●”) indicates the item currently or has recently applied to any of the Audit & Supervisory Board Member's relatives, while a black triangle (“▲”) indicates such item applied previously.

- a. Business executive at a listed company or its subsidiary
- b. Non-executive director or accounting counselor at a listed company or its subsidiary
- c. Business executive or non-executive director at the parent company of a listed company
- d. Corporate auditor at the parent company of a listed company
- e. Business executive at a sister company of a listed company
- f. Person whose major business partner is a listed company or his/her business executive
- g. Major business partner of a listed company or its business executive
- h. Consultant, accounting expert, or legal profession who receives a large amount of funds or other assets from a listed company in addition to executive remuneration
- i. Major shareholder of a listed company (if the major shareholder is a corporation, a business executive of the corporation)
- j. Business executive (the Audit & Supervisory Board Member in question only) at a business partner (which does not fall under any of the entities listed in f, g, and h) of a listed company
- k. Business executive (the Audit & Supervisory Board Member in question only) at an entity with which external executives are mutually exchanged
- l. Business executive (the Audit & Supervisory Board Member in question only) at an entity to which a listed company has given a donation
- m. Other

Relationships with companies (2)

Name	Independent executive	Supplementary explanations about the item concerned	Reasons for election
Yasuhiro SATO	○	Before becoming an Audit & Supervisory Board Member of the Company, Mr. Yasuhiro SATO was in charge of management at Mizuho Financial Group, Inc. as Member of the Board of Directors and President & Group CEO, but he resigned from this directorship before joining the Company as an Audit & Supervisory Board Member. Although, the Company borrows funds from Mizuho Financial Group, its dependence on Mizuho Financial Group for borrowing is not significant and therefore such borrowing is considered unlikely to affect the decisions of shareholders and investors. Therefore, an overview thereof is omitted.	Mr. Yasuhiro SATO has been elected as an Audit & Supervisory Board Member because the Company has determined that he is suitable for the position as he is expected to contribute to improving audits by Audit & Supervisory Board Members at the Company from a broad perspective since he has rich experience in corporate management, finance, and accounting obtained from management of a group of financial institutions when he was director and chairman at Mizuho Financial Group, Inc. as well as deep knowledge and outstanding insights based on such experience. Mr. Yasuhiro SATO has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.
Seishi TASHIRO	○	Before becoming an Audit & Supervisory Board Member of the Company, Mr. Seishi TASHIRO held important posts at the Board of Audit of Japan, but he left the Board of Audit before joining the Company as an Audit & Supervisory Board Member. In addition, there are not specifically any interest between the Board of Audit of Japan and the Company.	Mr. Seishi TASHIRO, who has long engaged in the operations of the Board of Audit of Japan, possesses rich experience in finance and accounting as well as profound knowledge and outstanding insights obtained from such experience. He has been elected as an Audit & Supervisory Board Member because the Company has determined that he is suitable for the position as he is expected to contribute to improving audits by Audit & Supervisory Board Members at the Company. Mr. Seishi TASHIRO has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.

Keiko OHARA	○	Ms. Keiko OHARA concurrently has a position as a partner at the Kamiyacho International Law Office, but there are not specifically any interests between the Law Office and the Company.	Ms. Keiko OHARA, who has long engaged in her duties as a lawyer in Japan and abroad, possesses rich experience in legal issues as well as profound knowledge and outstanding insights obtained from such experience. She has been elected as an Audit & Supervisory Board Member because the Company has determined that she is suitable for the position as she is expected to contribute to improving audits by Audit & Supervisory Board Members at the Company. Ms. Keiko OHARA has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to her and because the Company has determined that there is no concern about conflicts of interest between her and general shareholders.
Masamitsu MIURA	○	Before becoming an Audit & Supervisory Board Member of the Company, Mr. Masamitsu Miura held important police related posts, but he left National Police Agency before joining the Company as an Audit & Supervisory Board Member. In addition, there are not specifically any interest between National Police Agency and the Company.	Mr. Masamitsu MIURA, who has long engaged in his police related duties, possesses rich experience in risk management and crisis management as well as profound knowledge and outstanding insights obtained from such experience. He has been elected as an Audit & Supervisory Board Member because the Company has determined that he is suitable for the position as he is expected to contribute to improving audits by Audit & Supervisory Board Members at the Company. Mr. Masamitsu MIURA has been designated as an independent executive because the criteria of independency established by stock exchanges and those of the Company do not apply to him and because the Company has determined that there is no concern about conflicts of interest between him and general shareholders.

[Independent executives]

No. of independent executives	8
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Other matters related to independent executives

All external executives who satisfy the qualifications for being an independent executive are designated as independent executives.

[Incentives]

Implementation of measures related to the granting of incentives to Members of the Board	Introduction of the performance-based compensation system, etc.
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Supplementary explanation about the item concerned

The Company pays part of monetary remuneration to its Members of the Board (excluding External Members of the Board) in the form of performance-based compensation, the amount of which was determined according to the business performance during the term concerned. In addition to this, the Company pays performance-based compensation (stock compensation) as non-monetary compensation. For the details of the performance-based compensation as monetary compensation (monetary compensation) and performance-based compensation as non-monetary compensation (stock compensation), please refer to "Disclosure of the policy for determining the amount of remuneration and its calculation methods" in the Section [Category: Members of the Board remuneration].

Persons eligible for stock options	
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Supplementary explanation about the item concerned

[Members of the Board remuneration]

Disclosure (of remuneration for individual Members of the Board)

Remuneration is disclosed for only some Members of the Board

Supplementary explanation about the item concerned

If the total amount of consolidated remuneration, etc. for a Member of the Board is 100 million yen or more, it will be disclosed in the financial statements.

The total amount of consolidated remuneration, etc. disclosed during the 161st business year is as follows.

Takashi YAMAUCHI, Chairman, Representative Director: 128 million yen. (Note) As of the submission date of the financial statements (June 28, 2021), Mr. YAMAUCHI's position is "Chairman, Member of the Board".

Yoshiro AIKAWA, President and Chief Executive Office, Representative Director: 113 million yen

Is there a policy for determining the amount of remuneration and its calculation methods?

Yes

Disclosure of the policy for determining the amount of remuneration and its calculation methods

(1) Remuneration for Members of the Board

1. Basic policy on the determination of the details of remuneration, etc. for each Member of the Board

The remuneration, etc. for Members of the Board of the Company consists of fixed compensation and performance-based compensation, both of which are monetary compensation, as well as non-monetary performance-based compensation (stock compensation).

The maximum total amount of fixed compensation and performance-based compensation (monetary compensation) is 70 million yen per month in accordance with the resolution at the 146th General Meeting of Shareholders held on June 27, 2006.

The maximum total amount of performance-based compensation (stock compensation) is 35,000 points (1 point = 1 share), and 100 million yen per fiscal year respectively in accordance with the resolution at the 160th General Meeting of Shareholders held on June 24, 2020.

The above policy of remuneration was decided comprehensively considering the matters such as the business scale, content, and performance of both the Company and the Taisei Group, as well as the duties and responsibilities of each Member of the Board.

When determining the details of remuneration, etc. for each Member of the Board, the Board will decide the details of remuneration for each Member of the Board, taking account of the responsibilities and positions of each Member of the Board (including the concurrent positions as an Executive Officer, if applicable; the same applies hereafter), based on deliberation at the Remuneration Committee, which is authorized to deliberate the details of remuneration, etc. before the Board's decision.

The Remuneration Committee consists of the same number of External Members of the Board as the Internal Members of the Board and is chaired by an External Members of the Board. External Audit & Supervisory Members are also included to ensure the appropriateness of deliberations. Thus, the Company has established a system that enables appropriate examination of the remuneration, etc.

2. Policy on determination of the amount and the calculation methods of fixed Compensation

The fixed compensation shall be paid to each Member of the Board on a fixed date every month during the term of office, and shall be determined according to the responsibilities of each Member of the Board, comprehensively taking account of the Company's business scale, content, and the duties and responsibilities of each Member of the Board, and the fixed compensation to each Member of the Board other than External Members of the Board, shall be progressively increased according to his or her position.

3. Policy on determination of the contents, and the calculation methods of the amount or the number of performance indicators for performance-based compensation; and policy on determination of the contents and the amount, or the number and the calculation methods for non-monetary compensation

The performance-based compensation is established for the purpose of raising the awareness of each Member of the Board to contribute to business performance improvement and enhancement of corporate value. However, External Members of the Board are not eligible for the performance-based compensation.

1) Performance-based compensation (monetary compensation)

The performance-based compensation (monetary compensation) shall be paid to Members of the Board on a fixed day of each month during the term of office, and the contents and the amount of the compensation shall be determined such that those are linked to the Company's short-term business performance for the purpose of clarifying the interrelation between the Members of the Board responsibility for the group management and the amount of remuneration for the Members of the Board.

Net income attributable to owners of the parent in the consolidated statements of income for the most recent fiscal year is used as a performance indicator because it is an indicator that shows the final results of Taisei Group's business activities, and provides the system so that the amount paid to each Member of the Board will be progressively increased according to his or her positional ranks.

2) Performance-based compensation (stock compensation)

The performance-based compensation (stock compensation) is designed to raise the awareness of Members of the Board to contribute to improving medium- to long-term business results and enhancing corporate value by clarifying the policy so as to link the remuneration of Members of the Board with Taisei Group's business results and the value of share, and by sharing with shareholders not only the benefits of a rise in share prices but also the risk of a decline in share prices.

The stock benefit trust (= Board Benefit Trust) method is adopted, and the date of the annual General Meeting of Shareholders is the grant date.

In accordance with the "Officers' Share Benefit Regulations" established by the Board, each year during his or her term of office, points are granted and accumulated to one (1) share per point. In the event that a Member of the Board retires and satisfies the beneficiary requirements specified in the "Officers' Share Benefit Regulations", the Company's shares equivalent to the cumulative number of points will be distributed after retirement through prescribed procedures to determine the beneficiary. A part of the payment may be made in cash equivalent to the market value of the Company's shares instead of the Company's shares.

Net income attributable to owners of the parent in the consolidated statements of income for the most recent fiscal year is used as a performance indicator because it is an indicator that shows the final results of Taisei Group's business activities. The points to be granted to each Member of the Board are determined separately for Representative Directors and other Members of the Board respectively considering the status of achievement of business performance, duties and responsibilities.

4. Policy on determination of the ratio of each type of compensation to be applied to the amount of remuneration, etc. for each Member of Board

With respect to performance-based compensation, the Company has set performance values that serve as criteria for monetary compensation and stock compensation and has established a rule that the ratio of performance-based compensation will increase when performance is favorable compared to the criteria.

From a medium- to long-term perspective, the Company has a plan to review for reducing the proportion of fixed compensation and increasing the proportion of performance-based compensation.

However, the compensation for External Members of the Board shall be fixed compensation only.

(Reference)

The ratio of each type of compensation to be applied to the amount of remuneration, etc. for each Member of Board other than External Members of the Board in the current fiscal year (ended March 2021) was roughly 65% for fixed compensation, 30% for performance-based compensation (monetary compensation), and 5% for performance-based compensation (stock compensation).

(2) Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is determined by consultation of the Audit & Supervisory Board, and the monthly total is limited to 12 million yen based on the resolution of the 134th General Meeting of Shareholders held on June 29, 1994.

[Support system for External Members of the Board (External Audit & Supervisory Board Members)]

The Secretarial Department and the Audit & Supervisory Board Members' Department are supporting External Members of the Board and External Audit & Supervisory Board Members with their execution of operations respectively. Prior to a meeting of the Board, which is in principle held once per month, materials data is distributed for perusal. Also, internal Members of the Board or other employee give advance explanations concerning the proposed resolutions at the prior briefing sessions. In addition, the meetings to exchange opinions are regularly held among various officers in order to facilitate the information sharing and cooperation. Through those supporting system, deliberations and expression of opinions are fully and actively carried during the meetings of the Board.

[Persons who have resigned as Representative Director and President, etc.]

Names of honorary members, and counsellors etc. who were formerly Representative Director and President, etc.

Name	Position/Status	Duties	Work pattern/Conditions (Full-time/Part-time/Remuneration paid or not)	Date of resignation as President, etc.	Term of office
Hyozo YAMAMOTO	Honorary Member	Serving in economic organizations and as an external executive at other companies	[Work pattern] Part-time [Remuneration] None	March 31, 1997	Not set
Osamu HIRASHIMA	Honorary Member	Serving in economic organizations and as an external executive at other companies	[Work pattern] Part-time [Remuneration] None	March 31, 2001	Not set

Kanji HAYAMA	Honorary Member	Serving in economic organizations and as an external executive at other companies	[Work pattern] Part-time [Remuneration] None	March 31, 2007	Not set
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Total No. of honorary members, and counsellors etc. who were formerly Representative Director and President, etc.

3

Other matters

[Commissioning procedures] Honorary Member: Resolution of the Board

2. Matters related to functions such as business execution, auditing, supervision, nomination and decisions on remuneration (outline of the current corporate governance system)

To ensure management flexibility and efficiency as well as neutral, objective monitoring and supervision, the Company has established the following system.

(1) The Board

In order to act for the interests shared by the Company and its shareholders in response to the latter's mandate and to achieve sustained growth of the Company and to enhance its corporate value in the medium- to long-term, the Board appropriately fulfills its roles and responsibilities, which consist mainly of three elements: (i) presenting major directions of corporate strategy, etc., (ii) creating an environment to support proper risk-taking by executives, and (iii) ensuring highly effective supervision over management and Members of the Board from an independent and objective perspective.

(2) The Committees within the Board

To invigorate the Board, the Company has established the Committees within the Board comprised of the Governance System Review Committee, the Executive Personnel Committee, the Remuneration Committee, and the Sustainability Committee. To enhance the independency and objectivity of the function and the accountability of the Board, each committee consists mainly of the Independent External Members of the Board and the Independent External Audit & Supervisory Board Members.

(3) Management Committee and executive officer system

The Company has established the Management Committee as a decision-making organ for business execution, and the Regulations of Management Committee stipulate the authority to decide the scope of business execution that can be delegated to the Management committee by the Board. To facilitate flexible business execution, the executive officer system has been adopted.

(4) Internal audits, audits by Audit & Supervisory Board Members, and accounting audits

At the Company, Audit & Supervisory Board Members, accounting auditors, and the Auditing Department (an internal audit unit) work together to conduct audits.

Based on annual audit plans, the Auditing Department, which has 12 staff members, conducts internal audits of the overall administrative and operational systems for managerial activities as well as the lawfulness and rationality of business execution, including that of Group companies.

In accordance with the audit policy and the audit plan adopted by the Audit & Supervisory Board, Audit & Supervisory Board Members audit the performance of duties by Members of the Board independently from the Members of the Board, through attending meeting of the Board and other major meetings, hearing reports from the Members of the Board and other executives, inspecting important documents, visiting audit of business units, and other means. Four of the Six Audit & Supervisory Board Members are External Audit & Supervisory Board Members who have technical knowledge and are highly independent, thus maintaining a neutral and objective monitoring system. In principle, the meeting of Audit & Supervisory Board is convened monthly and additionally as needed. In the meeting, implementation status and the results are reported by each Audit & Supervisory Board Member, and discussions and resolutions are made for the matters concerning the execution of operations by Audit & Supervisory Members, in addition to the matters legally required. And they are briefed by the Auditing Department and accounting auditors on audit plans and the results of audits as required. The Audit & Supervisory Board Members' Department (consists with six members), which is independent from the Members of the Board, supports Audit & Supervisory Board Members in fulfilling their duties.

Accounting audits are undertaken by KPMG AZSA LLC, and in fiscal year 2020, the accounting audits were conducted by Mr. Katsunori TSUKAHARA, and Mr. Daijiro OTSU, all of whom are certified public accountants working with the audit corporation, and they were assisted by nine certified public accountants, four associate members from the Japanese Institute of Certified Public Accountants, and nine other persons. Accounting audits for major Group companies are also carried out by certified public accountants from KPMG AZSA, who work with accounting auditors for the Company when auditing Group companies. The Auditing Department and these accounting auditors report on audit plans and the results of audits to the Audit & Supervisory Board as well as the Accounting Department and other internal control units as needed.

(5) Outline of limited liability agreements

- Members of the Board and Audit & Supervisory Board Members

The Company has concluded with its Members of the Board (excluding those who are executive Members of the Board or similar (*gyomushikkou torishimari yaku*) as stipulated in Item 15 (a) of Article 2 of the Companies Act) and Audit & Supervisory Board Members an agreement under which the liability for compensation stipulated in Paragraph 1 of Article 423 of the Companies Act shall be limited to 10 million yen or the sum of the amounts stipulated in Items 1 and 2 of Paragraph 1 of Article 425 of the Companies Act, whichever is higher, provided that they perform their duties in good faith without gross negligence.

- Accounting auditors

The Company has concluded with its accounting auditors an agreement under which the liability for compensation stipulated in Paragraph 1 of Article 423 the Companies Act shall be limited to 100 million yen or the sum of the amounts stipulated in Items 1 and 2 of Paragraph 1 of Article 425 of the Companies Act, whichever is higher, provided that they perform their duties in good faith without gross negligence.

3. Reasons for selecting the current corporate governance system

At the Company, External Members of the Board with rich experience and extensive knowledge supervise business execution from an independent, objective standpoint, and External Audit & Supervisory Board Members with technical knowledge and abundant experience as well as full-time Audit & Supervisory Board Members from the Company who are familiar with internal operations work with accounting auditors and internal audit units to conduct audits. The Company has selected the current system based on the belief that these factors guarantee the appropriateness of its operations.

1. Initiatives to invigorate the General Meeting of Shareholders and to ensure efficient exercise of voting rights

	Supplementary explanations
Prompt delivery of notices of the General Meeting of Shareholders	To give sufficient time for consideration when shareholders are to exercise their voting rights, the notices have been mailed at least three weeks prior to the day of holding a General Meeting of Shareholders. The notices are posted on the Company's website about a week prior to the mailing thereof.
Setting the date of the General Meeting of Shareholders to avoid the date many companies hold the shareholder meetings	
Exercise of voting rights via electronic voting platform	As part of shareholder services, the "exercise of voting rights via electronic voting platform" has been in use since the General Meeting of Shareholders held in June 2006. Voting right exercise services based on the reading of QR codes for smartphones have been in use since the Regular General Meeting of Shareholders held in June 2018.
Issuing of invitations to institutional investors to participate on a platform that enables electronic exercise of voting rights and other initiatives to improve the environment for the exercise of voting rights	The Platform for Institutional Investors to Exercise Their Voting Rights Electronically, which is run by ICJ, Inc., has been in use since the General Meeting of Shareholders held in June 2006, and each General Meeting of Shareholders is registered on the platform about six weeks prior to being convened.
Provision of the notices (summary) in English	An English version of the notice for each General Meeting of Shareholders is produced and submitted to the Tokyo Stock Exchange as well as posted on the Company's website.
Other	Business reports and other documents for General Meetings of Shareholders include visual aids to make them easier to understand.

2. IR-related activities

	Supplementary explanations	Does a representative give explanation?
Formulation and publication of the Company's disclosure policy	The IR Policy has been formulated. https://www.taisei.co.jp/about_us/corp/pdf/ir_policy.pdf (Japanese) https://www.taisei.co.jp/english/assets/profile/philosophy/policies/pdf/ir_policy.pdf (English)	
Holding of regular meetings for individual investors		Yes / No
Holding of regular meetings for analysts and institutional investors	Meetings to explain financial results are held twice a year (in the second quarter and at the end of the term) with the President in attendance. In the first and third quarters, the IR unit hosts teleconferences.	Yes
Holding of regular meetings for overseas investors	The President holds IR meetings for institutional investors in Europe and Asia. In response to individual requests, a Members of the Board responsible for or divisions in charge participate in teleconferences and/or conferences, etc.	Yes
Posting of IR materials on the Company's website	In addition to quick reports on financial results and data books, materials for briefings on financial results are posted in Japanese and English. https://www.taisei.co.jp/about_us/ir/ (Japanese) https://www.taisei.co.jp/english/ir/ (English) Forms for inquiries to the IR unit are available on the website.	

Establishment of a department (persons) in charge of IR	The Corporate Communication Department's IR Office is responsible for IR.
Other	

3. Initiatives to respect the viewpoints of stakeholders

	Supplementary explanations
Internal regulations and other guidelines stipulate that stakeholders' viewpoints shall be respected.	To pursue the Group Philosophy and the Taisei Spirit, the Group Action Guidelines have been established as a set of fundamental action principles for the organization as well as behavioral and decision standards that executives and employees of the Company and its Group shall actively seek to meet and strictly follow.
Implementation of environmental preservation, CSR, and other activities	In order to promote activities towards sustainable development, the Company establishes the Fundamental Policy on Sustainable Development, and implements its sustainability-focused management system in reference to ISO26000, an international standard on the social responsibilities of organizations, and annually issues an integrated report on the Taisei Group.
Formulation of policies and other guidelines to provide information to stakeholders	The Fundamental Policy on Sustainable Development, Information Disclosure Policy, Procurement Policy, Fundamental Corporate Governance Policy, and IR Policy have been formulated.
Other	In accordance with the Group Philosophy and the Fundamental Policy on Sustainable Development, the Company cultivates a corporate culture that places importance on human rights by respecting Guiding Principles on Business and Human Rights of the United Nations, the Universal Declaration of Human Rights, ILO Declaration, and other international standards as well as formulating the Human Rights Policy. Striving to achieve a work environment that enables female employees to demonstrate their abilities to the fullest and to play more active roles, the Company has set a goal of increasing the number of female managers by ten times or more (compared to the fiscal year 2015 level) by 2025 and increasing the percentage of female engineers to 15% or more by 2030 as part of the general business owner action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and the Company is taking action to achieve this goal.

1. Fundamental approach to internal control s and their establishment

To establish a system to execute business appropriately and efficiently as well as to ensure the reliability of financial reports, the Company's Board has formulated a fundamental policy on establishing a system to ensure the appropriateness of business as follows.

Specific contents of the resolution

- (1) Systems to ensure that Members of the Board and the employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation
 1. Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.
 2. The Company shall ensure that all the executives and employees recognize their compliance-related obligations: by implementing programs recommended by the Compliance Committee, such as strict disciplinary punishments for the executives and employees found to have violated a law or regulation, enhancement of systems to prevent collusive bidding practices, and ensuring the effective operation of the Corporate Ethics Helpline; and by promoting compliance education and encouraging internal audits (self-audits) at the department level.
 3. The General Affairs Department shall guide the compliance-related activities of individual corporate bodies, and the Auditing Department shall ensure the effectiveness of internal audits by working closely with the individual corporate bodies.
- (2) Structure to retain and manage information regarding the performance of duties by Members of the Board
 1. The Company shall codify the rules and procedures concerning information and shall develop systems to properly manage all information belonging to the Company in order to duly record and retain information relating to the performance of Members of the Board of their duties, to prevent any leakage or unauthorized use of such information, and to effectively use such information.
- (3) Risk management rules for controlling risks of loss and other systems
 1. The Company shall develop systems to properly manage primary risks, including those relating to quality, safety, environment, compliance, information and profit and loss, in accordance with the Company's fundamental policy for development of risk management system.
 2. The Company shall develop systems to manage the risks in the event of an emergency or a large disaster, including arrangements to ensure the continuation of business operations.
 3. Each corporate body shall enhance its risk management capacity in an organized manner by providing its members with risk management education and other programs.
 4. The General Affairs Department will promote proper management of company-wide risks, and the Auditing Department will promote endeavors to continually improve the risk management system through internal audits.
- (4) Systems to ensure the efficient performance of duties by Members of the Board
 1. The Company shall establish the Management Committee as a decision-making body and adopt the executive officer system that enables the Company to operate its business in a swift manner. In addition, the Company shall make the decision-making function more vivid and fruitful and enhance the supervisory function of the Board by utilizing the committees within the Board and consulting the External Members of the Board.
 2. The Company shall develop and enhance the rules and procedures regarding the delegation of decision-making and other powers to managers and the execution of the duties, to facilitate more efficient decision-making and management processes, responding to changes in the managerial environment.
- (5) Systems to ensure proper operation of Group companies
 1. The Company shall promote to establish internal rules in each Group company regarding reporting requirements to the Company in accordance with the Company's fundamental policy and operational guidelines concerning the Group operation.
 2. The Company shall establish a risk management system in each group company, promoting to establish internal rules in each Group company for its risk management with respect to quality, safety, environment, compliance, information, profit and loss and large-scale disaster and other major risks in accordance with the business characteristics of each Group company.

In addition, the Company shall ensure the effectiveness of Group company's risk management system through an internal audit by the Auditing Department and a Group liaison meeting held by the Legal Department and other departments of each Group company, promotion of risk management education in each Group company, and provision of the Group helpline amongst other things.
 3. The Company shall assist, advise and collaborate in the business of each Group company by clarifying the functions and roles of each company in the Group, assisting each Group company to implement an organizational structure appropriate for its business characteristics and size thereof and utilizing the management resources in the Group.

In addition, the Company shall hold Group management meetings from time to time to facilitate communication among its Group companies and promoting mutual understanding and cooperation with respect to issues related to technology, production, marketing and sales, transaction and other issues surrounding the Group.

4. The Company shall share within the Group its philosophy (objectives and goals to be pursued), spirit (key concepts all the executives and employees in our Group must adhere to), and code of conduct (the fundamental principles of conduct for the organization and standards of behavior and decisions criteria which the executives and employees in our Group shall adopt and strictly comply with), and the Company shall also establish a compliance system, promoting to enhance internal rules appropriate for the business characteristics of each Group company.
In addition, the Company shall ensure the effective operation of the compliance system of each Group company through internal audits conducted by the Auditing Department and Group liaison meetings held by the Legal Department and other departments of each Group company, including the promotion of compliance education for each Group company, and provision of the Group helpline.
- (6) Systems regarding the employees supporting Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from Audit & Supervisory Board Members to such employees
 1. Audit & Supervisory Board Members and General Manager of the Human Resources Department shall discuss in advance assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members' Department, whose primary role is to assist the performance of duties by Audit & Supervisory Board Members
 2. Each department shall properly perform its duties in order to ensure that staff of the Audit & Supervisory Board Members' Department shall effectively follow the instructions from Audit & Supervisory Board Members.
- (7) Systems for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports
 1. For the purpose of auditing the internal controls of the Company and each Group company by Audit & Supervisory Board Members, the Company shall determine the matters that the executives and employees of the Company and each Group company, or any recipient of a report from such officer or employee of the Company, should report to Audit & Supervisory Board Members, and shall establish the following systems:
 - 1) A system in which Audit & Supervisory Board Members can receive reports from the executives and employees of the Company at any time;
 - 2) A system in which Audit & Supervisory Board Members can receive reports from the executives and employees of each Group company or a recipient of a report from such officer or employee; and
 - 3) A system in which Audit & Supervisory Board Members shall receive reports of any violation of law or regulation by any officer or employee of the Company through the corporate ethics helpline and the Group helpline.
 2. The Company shall establish a system to prevent any adverse treatment of a person who makes a report under the preceding paragraph based on the fact that he/she made such report.
- (8) Matters concerning policies regarding the allocation of costs arising from the performance of duties by Audit & Supervisory Board Members and systems to ensure that Audit & Supervisory Board Members can effectively conduct the audit of the Company
 1. If an Audit & Supervisory Board Member claims costs arising from the performance of its duties, Members of the Board shall properly handle such claim in order to ensure that the audit is effectively conducted.
 2. Members of the Board representing the Company and Audit & Supervisory Board Members shall facilitate their mutual understanding, through regular meetings, regarding the status of the audits conducted by Audit & Supervisory Board Members, and other important issues.
 3. The relationship amongst Audit & Supervisory Board Members shall be strengthened by measures such as: Audit & Supervisory Board Members and General Manager of the Auditing Department shall exchange documents regarding the cooperation between Audit & Supervisory Board Members and the Auditing Department; and The Auditing Department and Accounting Auditor shall have regular meetings with Audit & Supervisory Board Members.
- (9) Systems to ensure the appropriateness of financial reports
 1. The Company shall develop internal controls sufficient to ensure the appropriateness of all financial reports.

2. Fundamental approach to the elimination of antisocial forces and establishment of systems to achieve this goal

The Company's fundamental approach to the elimination of antisocial forces is to resolve against antisocial forces and groups, and refuse improper demands as clearly stated in the Group Action Guidelines. The establishment of systems to achieve this goal is as described below.

- (1) Establishment of supervisory sections and persons responsible for preventing undue demands

The supervisory sections are the General Affairs Section of the General Affairs Department at the head office and the General Affairs Section or Administration Section of the Administration Department at branches. At least one person responsible for preventing undue demands is posted at each administration unit of the head office and branches.

- (2) Cooperation with external expert organizations

The Company acts in cooperation with police stations with jurisdiction, Centers for Removal of Criminal Organizations and other related organizations, lawyers, and other experts as required.

(3) Collecting and management of information on antisocial forces

The Company constantly collects information through reports to and consultations with the police stations with jurisdiction, local Centers for Removal of Criminal Organizations with which it is affiliated, and so forth, and update with collected information and control such information strictly.

(4) Contracts with business partners

To prohibit transactions with antisocial forces and groups, the Company introduces clauses to eliminate antisocial forces in the general conditions of the contracts which the Company concludes with business partners.

(5) Preparation of response manuals

The Company has posted response manuals on its intranet to inform all executives and employees of its stance towards antisocial forces, how to deal with them, and so forth.

(6) Provision of training

The Company provides risk management training and training programs by using e-learning to its executives and employees, whenever necessary and in such training, it strives to educate them so that they will thoroughly eliminate antisocial forces.

1. Adoption of anti-takeover measures

Have anti-takeover measures been introduced?

No

Supplementary explanations about the item concerned

None

2. Other matters related to corporate governance systems, etc.

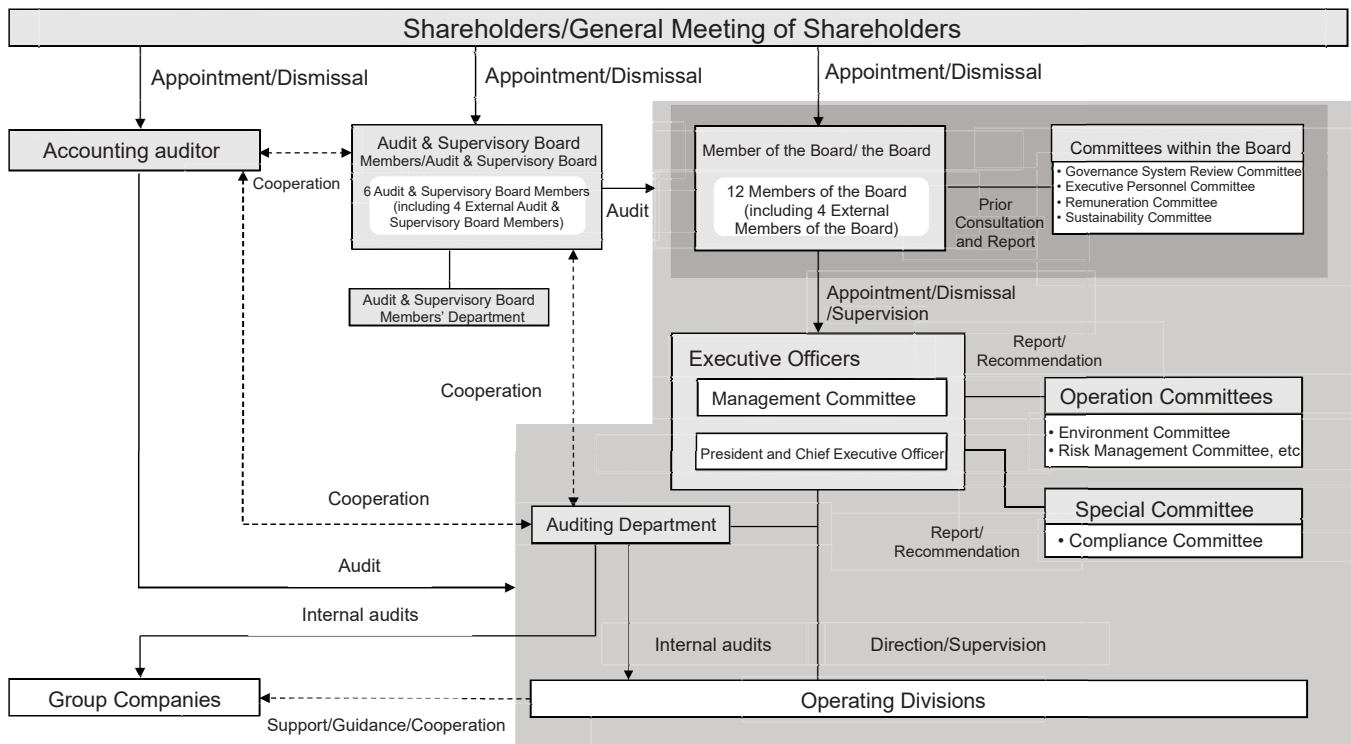
[Internal system related to the Company's timely disclosure of corporate information]

The Company has established internal systems as indicated in the attached schematic diagram so as to disclose accurate information fairly and appropriately while complying with the Financial Instruments and Exchange Act, related laws and ordinances, and the regulations of stock exchanges.

The person responsible for handling the information to be disclosed instructs the department in charge of disclosure to confirm and check the corporate information reported by responsible departments for disclosure with a focus on the following two points.

- (1) Timing of confirmation and checking
Each time an event occurs at a responsible department
- (2) Important points to be checked
 - (a) Whether the content of information reported is appropriate in light of timely disclosure regulations
 - (b) Whether the report is submitted at the proper time

Depending on the nature of the event, information may be disclosed in a timely manner with the approval of Chief of the Business Administration Division after taking account of the importance of timely disclosure, with such disclosure swiftly reported to the Management Committee and the Board thereafter as necessary.



Reference Materials [Schematic Diagram of the Outline of the Timely Disclosure System]

