

CSR Report 2017

Corporate Social Responsibility Report 2017



Build The Future Air

Considering general society as “Customers”, Taikisha is helping create a comfortable environment.

Taikisha has established good business relationships all around the world, extending the border of its business.

Our desire is to make people feel happy through our environmental technologies.

Table of Contents

02 Table of Contents / Editing Policy

03 — Top Management’s Message

Striving to Become a Company
Trusted by Society Guided by Our
“Customers First” Mission Statement

05 Corporate Overview

07 Business Outline

11 — Taikisha’s Materiality

15 — Key Measures and Progress of Activities

17 Governance

23 Environment

37 Contributions to Society

50 — Third-Party Opinion

Editing Policy

■ Organizations covered by this report
Taikisha Ltd. and its group companies in Japan and overseas are covered by this report.

■ Period covered in this report
The report mainly covers activities conducted during FY2016 (from April 1, 2016 to March 31, 2017) and also includes some activities carried out before or after the said period.

■ Date of Issue
November 2017

■ The scheduled issue date of the next edition
November 2018

■ Guidelines referenced
“Environmental Reporting Guidelines (Fiscal Year 2012 version)”
“Environmental Accounting Guidelines 2005”
“Guidelines for Private Sector Engagement in Biodiversity (2009)”
“G4 Sustainability Reporting Guidelines” by Global Reporting Initiative (GRI)
ISO26000

■ Production
CSR Report Editorial Committee of Taikisha Ltd.

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Striving to Become a Company Trusted by Society Guided by Our “Customers First” Mission Statement

Toshiaki Shiba

Representative Director, President
Taikisha Ltd.



Practicing the Spirit of Customers First

Since the foundation in 1913, we have focused our efforts on providing the optimal environment and conditions for people's daily lives and manufacturing over the years. The guiding principle that underpins our efforts is our “Customers First” mission statement. At Taikisha, “Customers” is broadly interpreted as general society that includes direct clients, business partners, employees and their family members, shareholders, supervisory authorities, the global environment and communities/societies. What we are striving to achieve by following the mission statement is to earn the ongoing trust of our stakeholders based upon the philosophy that the behavior of each employee or a company will generate benefits and happiness for one's counterpart. I believe the essence of our CSR activities is to keep to this belief and put it into practice in carrying out our day-to-day tasks.

To Meet the Stakeholders' Expectations

Social issues are becoming diverse and complex with changes in social conditions. In 2015, all member states of the United Nations adopted Sustainable Development Goals (SDGs) and started initiatives to solve global social issues, such as conservation of the environment and promoting respect for human rights. In 2016, the Paris Agreement came into effect to set new international rules for measures to combat global warming from 2020 onward. Accordingly, the global society has started working toward achieving a major goal of keeping the increase in the global average temperature to well below 2°C from the pre-Industrial Revolution level. Companies are being required to play a greater role in attaining the goal.

In light of such social trends, we re-examined our CSR issues and determined matters of great priority for our stakeholders and business activities as *materiality* (material matters). We will promote our CSR activities with the focus on the materiality and contribute to solving social issues to meet the expectations of our stakeholders.

Contributing to solving social issues through our environment-related technologies

We are conducting business globally in two core business fields: the Green Technology System Business is involved in designing and constructing air-conditioning systems for factories, offices, and hospitals; and the Paint Finishing System Business is involved in designing and constructing paint finishing plants mainly for automobiles.

In the Green Technology System Business, we provide eco-friendly design and construction of customers' facilities, by which we are helping customers to save energy and reduce CO₂ emissions at facilities during the operation phase that will last for years into the future. CO₂ emissions from buildings are much larger during the operation phase at customers than in the construction stage. In addition, most of such CO₂ emissions are from air-conditioning and sanitary facilities.

We will make a contribution to realizing a low-carbon-

emission/zero-emission society by applying the know-how we have cultivated over the years and our advanced technological development capabilities.

The Paint Finishing System Business is engaged in “the total engineering-oriented business” designed to realize a high-quality and efficient painting process and reduce the environmental impact of the process. Reduction of CO₂ and volatile organic compounds (VOC) in the painting process has become an extremely important issue amid the continuing growth in global automobile production. We will contribute to reducing global environmental impact by spreading our environment-related technologies.

In addition, what is necessary for Taikisha to achieve sustainable growth and continue contributing to society is to strengthen the foundation of its core businesses, while expanding their peripheral businesses with an eye constantly to 10 years ahead. Our efforts are bearing fruit in the plant factory business that exploits our environmental control technologies cultivated over the years and the aircraft painting business that applies our paint technology in the automobile field. In addition, we are eyeing the possibility of expanding business areas into painting railway cars and ships going forward. We will globally deploy our environment-related technologies by further reinforcing the overseas businesses through leveraging our strength of operating business in 20 countries around the world for over 50 years.

Human resource capabilities are the source of growth

For Taikisha, human resources are the source of growth. The momentum is growing for correcting long working hours also among companies in the construction industry, in which reducing working hours has been seen as unfeasible. I believe it is high time that we drastically reform our ways of operating, from working conditions at construction sites to our work style. We will establish a cross-company organization to gather wisdom and opinions from across the company, and strive to improve the health and work-life balance of employees.

We will create an environment where employees can concentrate on high value-added business operations for the purpose of increasing productivity, which we hope will translate into reducing long working hours. We will implement these reform measures with a strong determination based on the idea that realization of work style reform is what it takes for our employees to perform at their full potential and for the company to achieve continuous growth.

Toward Achievement of a Sustainable Society

We will continue striving to help bring about a sustainable society based on our “Customers First” mission statement. As an energy-, air- and water-based engineering corporation, we are committed to making the utmost efforts to remain a company that is trusted by stakeholders, that achieves continued growth, and that is needed by society. We would greatly appreciate the continued understanding and support of our stakeholders for all times.

Corporate Overview

Corporate Name: Taikisha Ltd.

Established: April 10, 1913

Head Office: Sumitomo Fudosan
Shinjuku Grand Tower,
8-17-1, Nishi-Shinjuku
Shinjuku-ku, Tokyo
160-6129, Japan

Website: <http://www.taikisha-group.com>

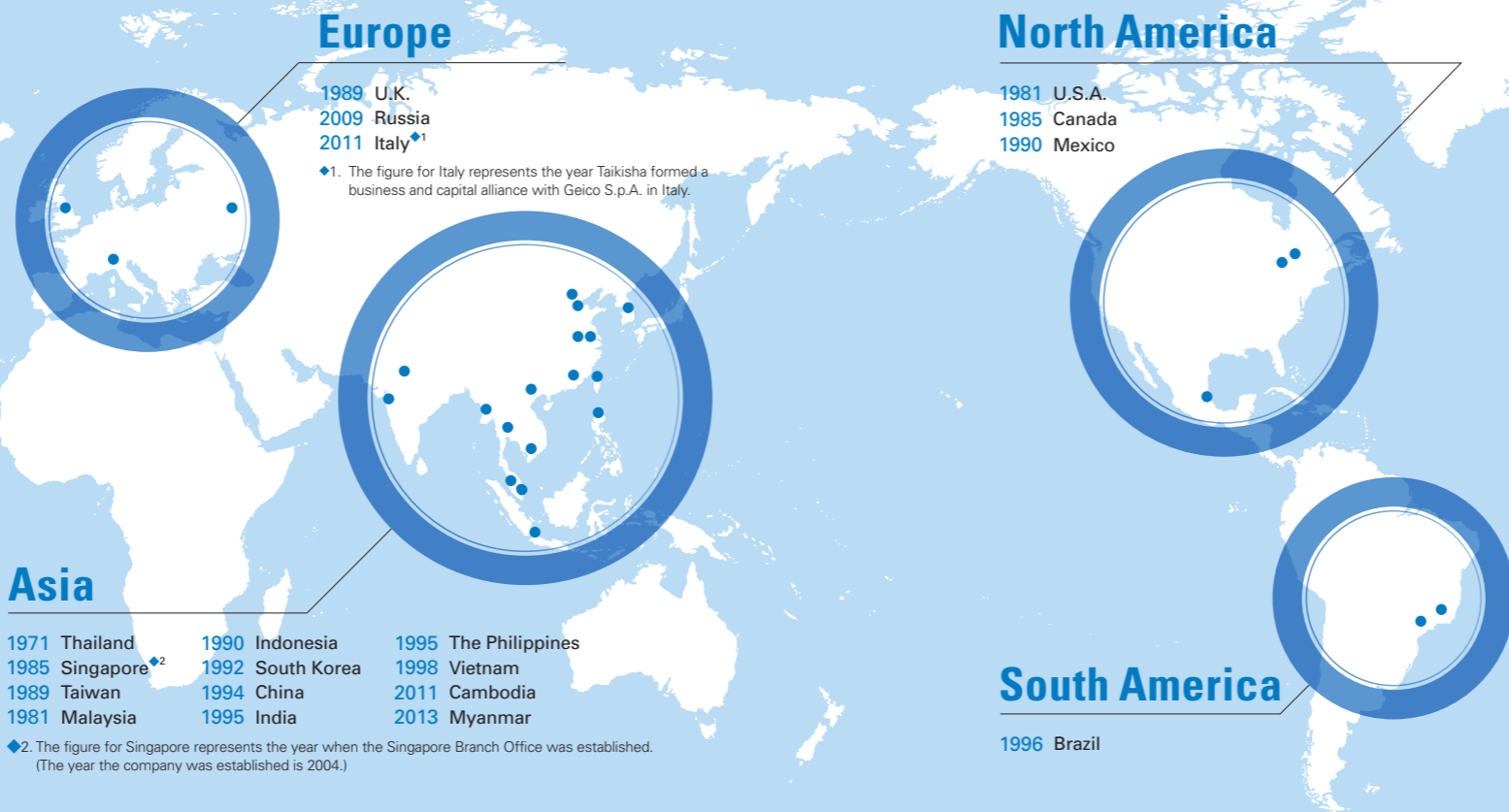
Representative: Toshiaki Shiba,
Representative Director, President

Capital stock: ¥6,455.17 million

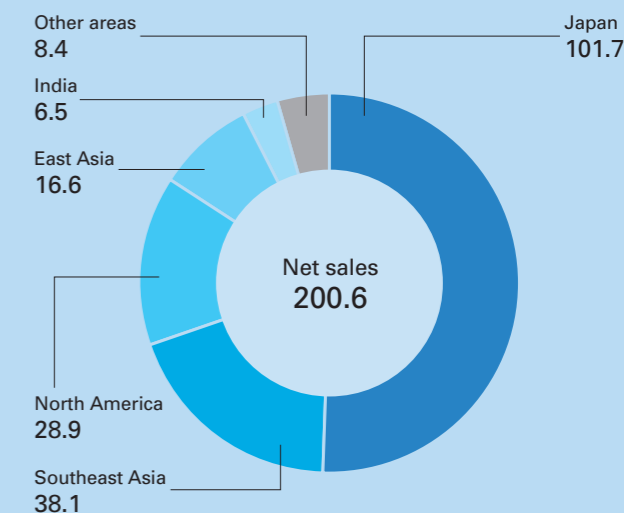
Number of employees: 4,702 (consolidated)
1,446 (non-consolidated)
(As of March 31, 2017)

Global Network

(the figures represent years when group companies were established)



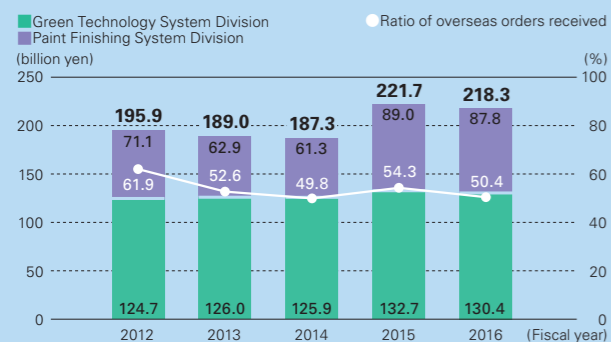
Consolidated net sales by region (billion yen) (FY2016)



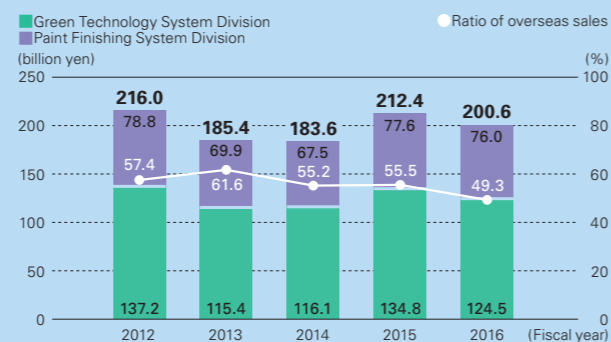
Financial Highlights

(figures are rounded down to the nearest billion yen)

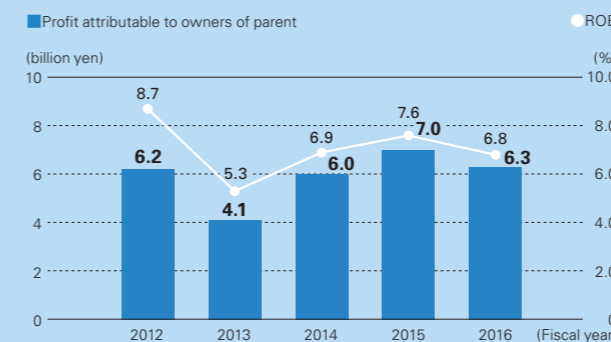
Amount of orders received/Ratio of overseas orders received



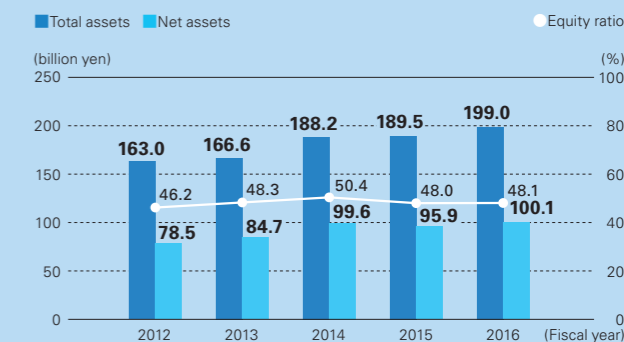
Net sales/Ratio of overseas sales



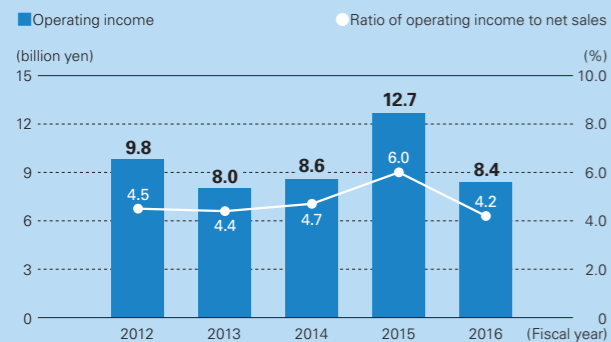
Profit attributable to owners of parent/Return on equity (ROE)



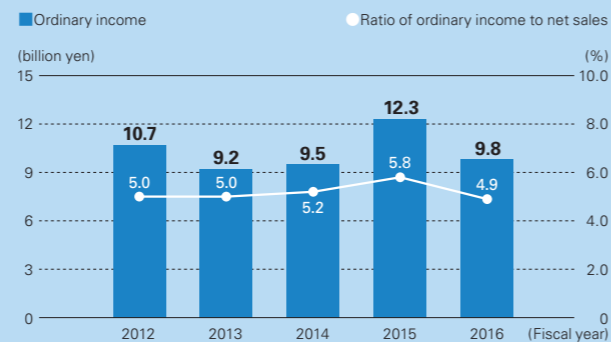
Total assets/Net assets/Equity ratio



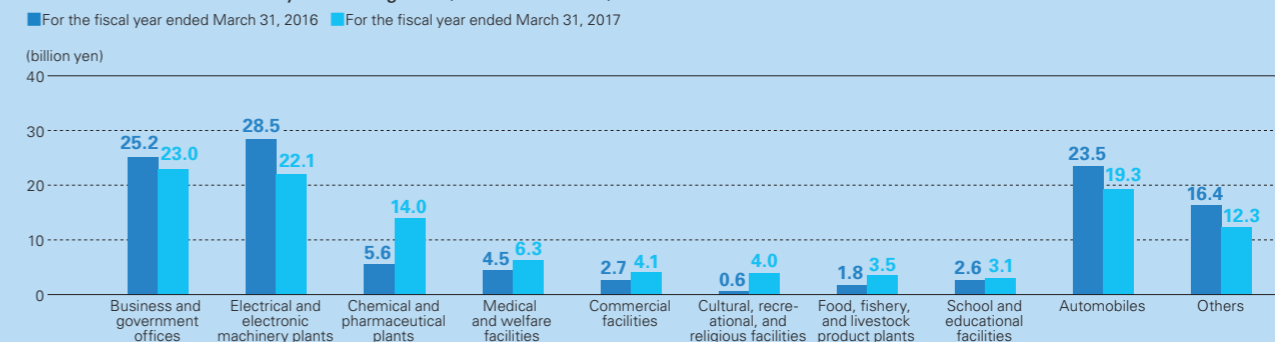
Operating income/Ratio of operating income to net sales



Ordinary income/Ratio of ordinary income to net sales



Amount of orders received by market segment (non-consolidated)



Green Technology System Division



Taikisha helps to improve the environmental value of its customers by providing solutions mainly in the Building HVAC and the Industrial HVAC.

The Green Technology System Division is comprised of the Building HVAC System business sector, in which Taikisha designs and constructs air-conditioning systems for buildings, and the Industrial HVAC System business sector, in which Taikisha designs and builds air-conditioning systems for factories both in Japan and overseas.

In the Building HVAC System business sector, Taikisha designs and constructs air-conditioning systems for facilities that are used by many people, such as office buildings, schools, hospitals, hotels, museums, and airport terminals. It does so by conducting new construction and renovation work on facilities with the aim of providing people- and eco-friendly, comfortable spaces.

In the Industrial HVAC System business sector, meanwhile, Taikisha designs and constructs optimal air-conditioning systems for cleanrooms and other manufacturing facilities for factories and R&D facilities in the electronic parts, pharmaceutical products, biotechnology, and other

fields where a very clean environment is required in the manufacturing process.

Highly sophisticated parts, such as multi-layer ceramic capacitors, high-frequency parts, imaging sensors, and precision miniature motors, are used in large numbers, in particular, in smartphones and car electronics, which are spreading rapidly worldwide. Taikisha's industrial HVAC technologies control the manufacturing environment of such electronic parts. Taikisha also focuses on providing environment protection systems, such as exhaust-gas treatment devices and antipollution systems.

Taikisha operates subsidiaries and affiliates in various countries and regions around the world, which has enabled the company to achieve the highest-level overseas sales in the industry. Its energy-saving technologies and environmental protection technologies, cultivated based on the air-conditioning technologies, have helped to reduce environmental impact in Japan as well as around the world.

PICK UP PICK UP Seismic retrofit and renovation work for the former Daiei Himonya Store completed

In October 2016, the seismic retrofit and renovation work was completed for the former Daiei Himonya Store in Meguro-ku, Tokyo. Taikisha undertook the installation of air-conditioning and sanitary facilities. The building, which has become a familiar local landmark since its completion in 1975, has been remodeled as AEON STYLE Himonya. The new facilities are drawing attention as commercial facilities offering various lifestyles.



Vegetable factory using artificial lighting only (Vege- Factory)

Realized stable harvest of safe, reliable and delicious farm products



There are growing needs for safe and high-quality vegetables, and the market for vegetable factories is expected to grow rapidly in the near future. The domestic market for lettuce and other vegetables produced (the total production) in vegetable factories using artificial lighting only, a new business area of Taikisha, is estimated to more than double over the next five years. In addition, with the growing needs of vegetables for business and processing use, the market is expected to continue to grow at a similar pace thereafter.

Taikisha is operating Vege-factory, a hydroponic vegetable factory using artificial lighting only, developed based on the air-conditioning technologies Taikisha has cultivated over 100 years as an environment engineering company and combining such technologies with new ideas, both in Japan and overseas. Taikisha became the first in the world to achieve stable volume production of crisphead lettuce, and has started its distribution. Taikisha provides integrated support services for each business operator's plant factory business, ranging from designing, construction, and maintenance of plant

factories to consulting on business plans, and support for establishing a volume production system and sales. Taikisha's great advantage lies in its ability to help customers expand business overseas by leveraging its worldwide network. By using its unique air-conditioning systems, Taikisha has succeeded in preventing differences in temperature and humidity conditions on multiple cultivation shelves in a large space and creating a uniform cultivation environment.

Taikisha has constructed four volume production plants in Japan and overseas, and are constructing the largest volume production plant in Japan (daily production of over 20,000 heads) in Takahama Town in Fukui Prefecture.



Plant factory in Vietnam



Children sampling lettuce in the plant factory

Research and development facilities supporting the Group's business development – Building new demonstration and development centers in Japan and overseas

Taikisha has four research and development facilities in Japan and overseas, where it conducts research and development activities to help customers create new value. In addition, Taikisha and Chiba University jointly operate a plant factory research center on campus and accept visitors to the facilities.

Furthermore, Taikisha is building two test cultivation facilities shown on the right. The purposes of these test cultivation facilities are to get its customers to take a look at the cultivation conditions for volume production of the Taikisha-brand vegetables and conduct various demonstration experiments by responding flexibly to needs of customers. These include experiments for quality improvement undertaken in different cultivation environments, volume production technology, and new product development.

Taikisha will continue to engage actively in the plant factory business in Japan and overseas to contribute to the stable supply of safe, reliable, and delicious farm products in response to social needs.

Itabashi-ku, Tokyo

Plant factory Demonstration Development Center (tentative name)

[Opening date]
November 2017 (scheduled)
[Facility size]
400m²



Ayutthaya in Thailand

Taikisha (Thailand) Co., Ltd. Ayutthaya Test Cultivation Facility (tentative name)

[Opening date]
November 2017 (scheduled)
[Production area]
150m²



Paint Finishing System Division



Taikisha pursues the world's cutting-edge, energy-saving and eco-friendly painting technologies.

The Paint Finishing System Division has expanded based on Taikisha's core technologies cultivated in the HVAC business, such as exhaust treatment and air flow control. Taikisha designs and constructs automobile paint finishing plants that realize high painting quality and employ its energy-saving and advanced environment-related technologies.

Taikisha designs and constructs large paint finishing plants of automakers not only in Japan but also globally, including in the U.S., Europe, South Korea, China, and India, and currently boasts the top-level of market share in the world.

Taikisha has expanded its range of products from air-conditioning systems for automobile paint finishing plants to robot painting systems, conveyor systems for auto body and paint circulation systems necessary in automobile plants, as well as to entire automobile paint finishing plants. Taikisha

now provides total plant engineering services from design to construction of the whole plants.

Taikisha is focusing on research and development toward increasing the painting efficiency to 100%, and is making efforts to minimize the amount of paint used and achieve zero VOC emissions. In addition, Taikisha contributes to the energy management of customers around the world. Taikisha is doing this by reducing CO₂ emissions through downsizing paint booths by taking into account robot layouts, and by promptly complying with laws, regulations and international standards of countries, which have recently been becoming stricter.

Taikisha will continue to expand its business domains, promote cost reduction and enhance its engineering capabilities through technology development to further strengthen its competitiveness.

PICK UP Isuzu Motor's first manufacturing plant in India completed

In April 2016, the construction of Isuzu Motors' first Indian manufacturing plant was completed. Taikisha received a package order for the paint finishing system, including conveyor systems, to be installed in this plant. The new plant will produce ISUZU D-MAX pickup trucks of 2,500-cc displacement in line with the expanding demand for pickup trucks in the light commercial vehicle market in India.



Applying know-how cultivated in paint finishing system for automobiles to aircraft painting

Leap forward on wings – Expansion into the aircraft paint finishing system business



The worldwide number of aircrafts is forecasted to double in the next 20 years, backed by passenger demand that will grow at an annual rate of about 5 percent. With the growth in demand for newly built aircrafts, the MRO business for airframes, including maintenance, repair, and overhaul of airframes, is expected to expand.

Taikisha has undertaken designing and construction of large-scale paint plants for automobile manufacturers for over 60 years. Taikisha believes that the technologies and know-how cultivated through these experiences can be utilized in producing and MRO for aircrafts.

Addressing the needs to automate the painting process of aircrafts

Manual painting was previously the mainstream in the aircraft painting field, but needs for automated painting have been growing in recent years.

An aircraft is largely made of aluminum alloy. Aluminum alloy is strong and lightweight but it can corrode. Aircraft painting plays very important roles of protecting the base metal of an airframe, in addition to projecting the "face" (public image) of the airline company.

In aircraft painting operations, the base coating process requires paint that stays on (does not peel off) the aluminum surface, while the finish coating process requires paint that protects the air frame from exposure to dozens of degrees below zero or scorching temperatures. From the viewpoint of reducing the amount and cost of paint used, improving fuel efficiency, and lowering the environmental impact, it is necessary to reduce the thickness of a paint film as much as possible to trim the weight of an airframe. The existence of these conflicting requirements is the background behind the growing needs for automated aircraft painting.

Automation systems are an important part of the paint plant for customers as they influence the paint quality and production efficiency of products. In light of the needs of

customers and society, Taikisha has positioned aircraft painting as an important business field with growth potential. Taikisha will start by making an effort to deliver automated aircraft painting systems by applying the know-how cultivated through the automotive painting business. Taikisha will subsequently tackle the challenge of delivering systems that automate the task of removing paint from airframe and repainting it, which is conventionally done manually about once every five years.



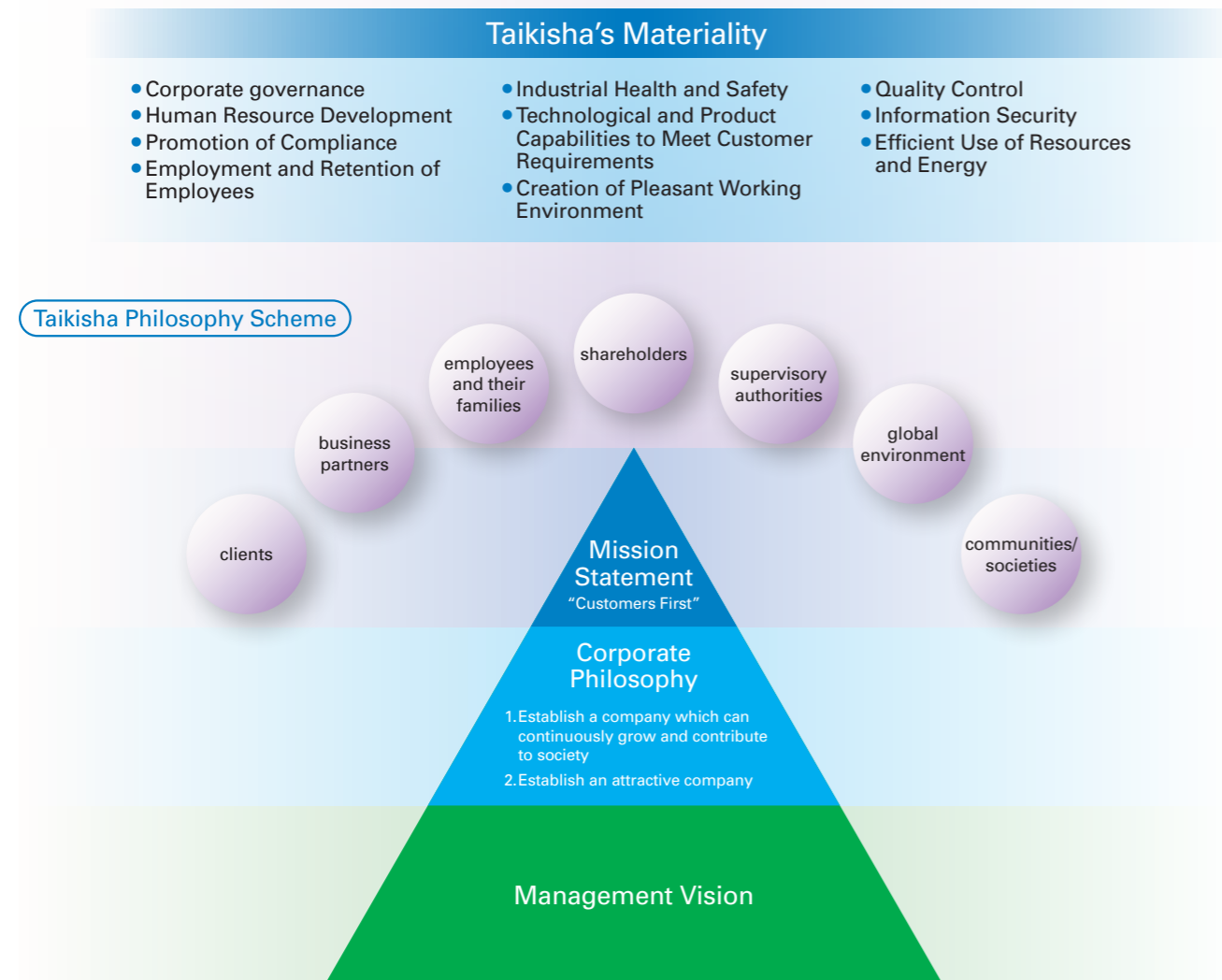
Aircraft painting robotic system

Taikisha's Materiality

Guided by our "Customers First" mission statement, Taikisha has contributed to all stakeholders by carrying out our day-to-day tasks. Based on the idea that its CSR is to practice the mission statement, Taikisha is conducting activities toward the achievement of a sustainable society.

In order to contribute to solving social issues while meeting expectations of stakeholders, Taikisha determined its materiality (material matters) in 2017 by referring to international guidelines and taking into account important matters for stakeholders and the company.

Taikisha will steadily promote CSR activities based on the determined materiality.



Mission Statement: "Customers First"

Customers are defined as Overall Society in a broad sense. Spirit of "Customers first" is to win persistent trust from the customer.

To achieve this goal, we have to follow our own conscience and make the utmost efforts in every doing based on the belief that the behavior of individuals or the company will bring benefit and happiness to one's counterpart.

Management Vision

Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity.

Corporate Philosophy

1. Establish a company which can continuously grow and contribute to the society:

- (1) We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees.
- (2) We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society.

2. Establish an attractive company:

- (1) We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.
- (2) We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality.
- (3) Through the expansion of our expertise in "Energy, Air, and Water", we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development.

Relationship with Stakeholders



● Taikisha's responsibilities
● Main methods of dialogue

Communities/Societies

- Respect for cultures and customs and contribution to their development
- Accident/disaster prevention
- Cooperation/coordination for solving social issues
- Ensuring of job security and tax payment
- Participation in local/social contribution activities
- Participation of employees in social contribution activities and community contribution activities
- Participation in local communities

Clients

- Provision of valuable products/services
- Customer satisfaction improvement from various aspects, such as quality, cost and delivery time
- Provision of accurate and appropriate information regarding products/services
- Dialogue through sales activities
- Website, newsletter
- Information provision through exhibitions and other occasions

Employees and their Families

- Creation of a prosperous life for employees and their families
- Human resource utilization and development
- Fair evaluation and treatment
- Respect for human rights, personality, and individuality
- Creation of a working environment in which a diverse range of employees participate actively and enthusiastically in work
- Pay attention to industrial health and safety
- Dialogue through the Corporate Culture Committee
- Consultation desk
- Employee satisfaction survey

Supervisory Authorities

- Compliance with laws, ordinances, administrative directives, etc.
- Payment of taxes
- Cooperation in various policies designed to solve various public issues
- Participation in industry groups
- Various notifications and reports

Shareholders

- Maintenance and improvement of corporate value
- Ensuring of stable profit and appropriate return of profit
- Timely and appropriate disclosure of corporate information
- Shareholders' meetings, earnings briefing sessions
- Visiting investors
- IR website

Business Partners

- Fair and transparent transactions
- Information sharing and collaboration to realize customer satisfaction and green procurement
- Investigations on business partners
- Holding information sessions
- Award of "Excellent Green Procurement Company"

Global Environment

- Contribution toward realizing a low-carbon society
- Research and development of new environment friendly technologies and products
- Promotion of energy saving and recycling
- Reduction of waste production and emission of hazardous chemical substances
- Environment conservation activities based on the environment management system
- Compliance with various laws and regulations
- Stakeholder Dialogue

Materiality Determination Process

STEP 1
Determining CSR issues

Taikisha looked at international guidelines, such as the GRI Guidelines Version 4 and ISO26000, disclosure requirement items of CSR assessment organizations, contents of CSR surveys by customers, and results of questionnaire survey of employees, etc. Based on the above, Taikisha analyzed Taikisha's CSR activities and disclosure. As a result, Taikisha identified determination of materiality and disclosure as priorities to work on, and carried out a set of activities in this area.

In determining material matters, Taikisha sorted out CSR issues to 54 items by referring to several guidelines and materiality information of other companies. Then Taikisha extracted 20 items of CSR issues to be considered by taking into account relevance with the Taikisha Group's businesses.

STEP 2
Prioritization

Each of the extracted issues was prioritized based on the following two criteria.

(1) Degree of importance for stakeholders
The degree of importance of each issue was determined based on the CSR guidelines, information obtained through communication with stakeholders, and questionnaires in procurement survey of other companies.

(2) Degree of importance for Taikisha
Taikisha conducted a questionnaire on the management team (members of the Board of Directors, Corporate Officer in charge of CSR). Taikisha analyzed the importance of the identified CSR issues for Taikisha by using a five-point evaluation system. In conducting the analysis, Taikisha confirmed the relevance of the identified CSR issues to the Mid-Term Business Plan and company regulations. In addition, Taikisha assessed their impact on its businesses not only from a short-term viewpoint but also from a long-term aspect upon determining their degrees of importance.

STEP 3
Confirmation of appropriateness

The results of prioritization were compiled by taking into account the consistency with the management policy and plan and their appropriateness was examined by the management team.

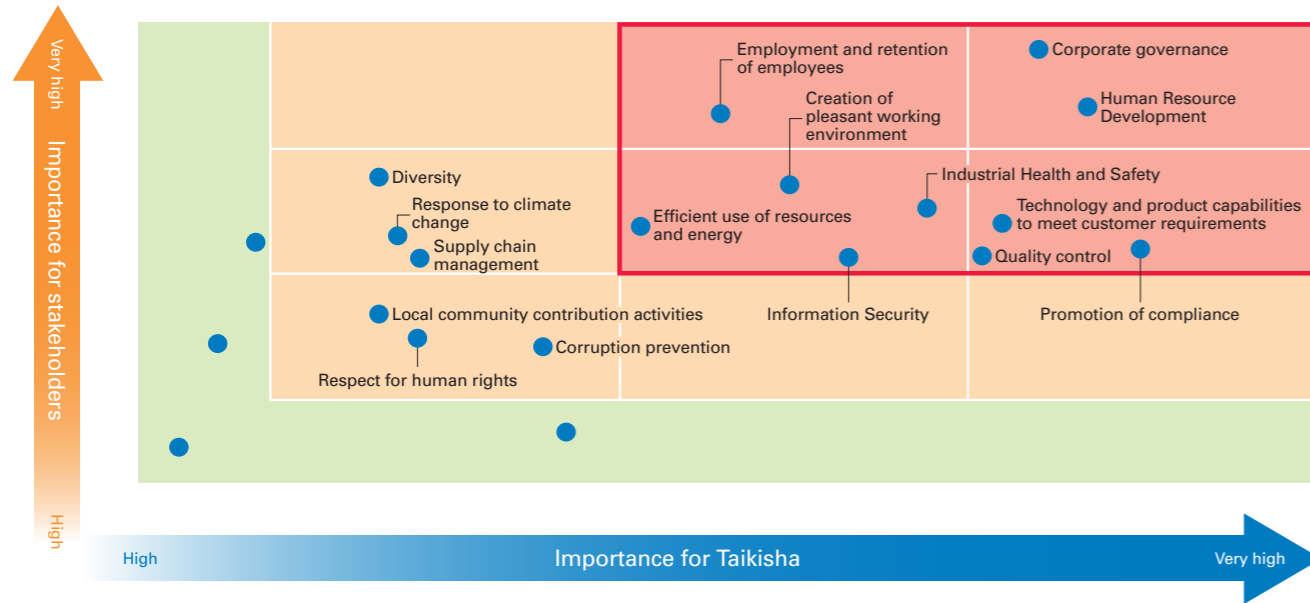


STEP 4
Determination of materiality

Based on the confirmation of appropriateness, the final examination was conducted in the company. As a result, 10 items of CSR material issues were determined as having materiality.

Materiality Determined

Of the prioritized issues (issues of high importance), issues determined as having materiality were those of very high importance (issues located inside the red box area) for stakeholders and Taikisha.



Future Direction

Taikisha will promote CSR activities based on the determined materiality, and step up activities based on assessment and analysis of activities over time.

Taikisha will also review materiality according to needs of stakeholders, changes in the business environment, and progress of CSR activities.



Determination of Materiality at Taikisha

For checking the materiality analysis, I received detailed explanations on Taikisha's problem awareness and approach to managing CSR issues from persons in charge. There were two aspects that were impressive.

First, the breadth of perspective in identifying issues. Taikisha used various references for identifying issues to be addressed, including international guidelines for disclosure of non-financial information and assessment items of external organization, as well as the results of supply chain survey by customers. I was impressed that it is very typical of Taikisha, which has set out the "Customers First" as its mission statement. I also felt that this is a good approach that takes advantage of possessing clientele with high requirements.

Second, the involvement of employees across the company. Taikisha provided all employees with an opportunity to think about material CSR issues for the Group by conducting an internal questionnaire survey. In addition, in the phase of setting priorities on CSR issues according to their importance for Taikisha, Taikisha carried out materiality assessment in relation to business strategy, etc. by the management team. I think this is a very fruitful approach for spreading the perspective of materiality analysis in the company.

This report lists 10 items as CSR issues of very high priority, selected from items extracted through such process of materiality determination. All kinds of materiality determined are unquestionably material management issues, which shows the effectiveness of the materiality analysis work conducted for this report.

If I were to point out slight concerns, the CSR issues determined are literally "issues" faced by Taikisha and their connections with the company's growth scenario and brand value are not shown clearly. Many of the case examples Taikisha has implemented seem to be broadly classified into

the following two categories: (1) selective issues, which are issues a company selects from publicly known social issues, such as ISO26000 issues or the UN's Sustainable Development Goals (SDGs) and (2) value creation scenario issues, which are those a company examines to determine themes that will lead to its growth opportunities. There is no right answer to materiality analysis. However, in a company where the top management is directly involved with the process and a system of discussing materiality by taking into consideration management strategy, as is the case with Taikisha, the latter approach would be more effective in delivering a clearer message to stakeholders.

What I expect Taikisha to do going forward is to sort through materiality from the angle of leveraging its strength of its business model. These include being able to translate solving customers' environmental issues, such as reducing CO₂ emissions, into the company's own growth, and being equipped with many global human resources thanks to the high proportion of overseas business in its operations, and demonstrate the outcome based on KPI (key performance indicators). In doing so, the materiality determination process Taikisha has established will be a great advantage for Taikisha.

Overview of Materiality

Materiality determined	Overview	Relevant CSR activities
Corporate governance	Taikisha will strive to build good relationships with various stakeholders with the aim of achieving continuous growth and a medium- to long-term improvement in corporate value. Taikisha will also work to achieve appropriate decision-making and business execution, ensure sound management, and improve accountability.	pp. 17-18 : Corporate Governance p. 19 : Risk Management p. 20 : Internal Control pp. 23-24 : Environmental Management
Human Resource Development	Taikisha will specify the types of human resources necessary to carry out targeted strategies, and improve employees' performance by providing them with knowledge and skills in various forms to maximize their expected activities. In addition, Taikisha will provide various opportunities for education and training and develop a fair personnel assessment system to promote a work environment that fosters the development of human resources.	p. 42 : Basic Policy for Human Resource Development, Human Development Vision (Labor Practices) p. 43 : Global Human Resource System, Fair and Transparent Assessment (Labor Practices)
Promotion of compliance	Taikisha will develop a corporate ethics and compliance system and manage the system appropriately. In addition, Taikisha will strive to raise awareness of the need to have compliance with laws and regulations among employees.	pp. 21-22 : Compliance p. 34 : Chemical Substance Management
Employment and retention of employees	Taikisha will secure the best human resources, and make an effort to build an organization where the hired employees will stay without leaving after a short time and can fulfill their potential.	p. 42 : Human Development Vision p. 44 : Improvement of the Work-Life Balance (Labor practices)
Industrial Health and Safety	Based on the safety-first principle, Taikisha will implement health and safety management systematically on an organizational level. In order to provide a working environment that considers health and safety, Taikisha will give consideration to employees' health, eliminate industrial accidents, correct long working hours and improve mental health in the workplace.	pp. 37-38 : Efforts for Improvement of Industrial Health and Safety
Technology and product capabilities to meet customer requirements	Taikisha will strive to establish technological and product capabilities conducive to improving business performance and competitiveness. In addition, Taikisha will focus on technology development and advanced efforts by taking into consideration social issues and latent needs of customers.	pp. 7-10 : Business Outline pp. 25-28 : Efforts for Realizing a Low Carbon Society pp. 29-32 : Technology to Reduce Environmental Impact
Creation of pleasant working environment	Taikisha will promote the building of an attractive and motivation-oriented company that provides both material and psychological satisfaction to each employee. Taikisha will make efforts to enable all employees to fully utilize their potential by enhancing its welfare program; creating a workplace environment that supports a balance between work, childcare, and nursing care; developing a work environment that embraces diverse workstyles; improving the treatment of employees and workplace environment; and controlling long working hours.	p. 41 : Basic Policy for Human Rights, Corporate Culture Committee, Harassment Prevention (Labor Practices) p. 44 : Improvement of the Work-Life Balance (Labor practices) p. 45 : Toward the Realization of Work Style Reform (Labor Practices)
Quality control	Taikisha will secure a quality level that results in a high level of customer satisfaction. By implementing continuous quality improvement and standardization, Taikisha will provide qualities that give a sense of trust, security, and satisfaction to customers. Taikisha will also work to prevent quality troubles at construction sites.	pp. 39-40 : Initiatives for Quality Improvement
Information Security	Taikisha will strengthen security to prevent information leaks by stepping up security controls in the IT environment, developing educational content, and keeping everyone informed of information security issues. Taikisha will strive to ensure protection of personal information of employees, as well as personal information of contract orderers and vendors obtained and retained through business activities.	p. 20 : Information Security (Internal Control) p. 46 : Management of Confidential Information (Relationships with Business Partners)
Efficient use of resources and energy	With an aim of contributing to build a recycling-oriented society, Taikisha will make efforts to utilize resources effectively, promote energy saving in our daily lives and business activities, reduce electricity and city gas consumption, promote product recovery and recycling, and reduce the amount of containers and packaging.	p. 33 : Recycling-Oriented Society p. 35 : Green Procurement p. 36 : Material Flow Diagram



Executive Officer
Deputy Chief Research Officer
Development Bank of Japan, Inc. **Mr. Keisuke Takegahara**

Theme	Subsidiary theme	Issue/goal	Main activities	Results of implementation of measures in FY2016	Self-assessment	Efforts in FY2017 and thereafter	ISO26000							Pages		
							Organizational governance	Human rights	Labor practices	Environment	Fair business practices	Consumer issues	Community participation and development			
General CSR activities		Improvement and Sharing of Information Disclosure within Taikisha	<ul style="list-style-type: none"> CSR activities in line with the international guidelines and information disclosure 	<ul style="list-style-type: none"> Published CSR Report (Japanese/English versions) Examination for determining materiality 	●	<ul style="list-style-type: none"> Materiality disclosure Creation and disclosure of GRI reference table 	●	●	●	●	●	●	●	pp. 11-14		
	Governance	Corporate governance	Strengthen the corporate governance system	<ul style="list-style-type: none"> Operate the internal control system continuously and strengthen internal control at overseas affiliates Further enhancement and strengthening of corporate governance 	<ul style="list-style-type: none"> Confirmed the status of operation of the internal control system Re-examined the role and operating procedures of each meeting 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●	●	pp. 17-22	
		Internal control	Promotion of compliance	<ul style="list-style-type: none"> Training, monitoring, information dissemination, whistle-blowing system Training and monitoring activities at overseas affiliates 	<ul style="list-style-type: none"> Promoted improvement through training, monitoring, and information dissemination Grasped and supported mitigations of risks at overseas affiliates Ran PDCA cycle through monitoring of overseas affiliates 	●	<ul style="list-style-type: none"> Continue with and strengthen PDCA activities in Japan and overseas Strengthen harassment prevention education (work style reform) 	●	●	●	●	●	●	●		
Environment	Strengthen environmental management	Achieve the environmental management vision	<ul style="list-style-type: none"> Practice the environmental management master plan 	<ul style="list-style-type: none"> PDCA based on the master plan Continued with activities to visualize GHG emissions in the entire supply chain 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●	●	pp. 23-32, 36		
		Provision of facilities and systems with high energy-saving performance	<ul style="list-style-type: none"> [Green Technology System Division] Promote proposals for CO₂ emission reductions (energy saving) in in-house design projects [Paint Finishing System Division] Promote reduction of CO₂ emissions from painting facilities 	<ul style="list-style-type: none"> Proposed 85 plans for CO₂ reductions (energy saving) Achieved CO₂ reduction rate (emission amount) of 29.2% Reduced CO₂ emissions per manufacturing automobile to 79.5 kg 	▲	<ul style="list-style-type: none"> Propose more than 120 CO₂ reduction (energy saving) plans Achieve CO₂ reduction rate (amount) of 20% or higher Develop measures to achieve reduction of CO₂ emissions per automobile produced in 2020 to 70 kg 	●	●	●	●	●	●				
	Promote environmental business	Removing and reducing emissions of hazardous substances	<ul style="list-style-type: none"> Grasp the reduced amount of annual VOC emissions by using VOC abatement systems Improve performance of rotary regenerative thermal oxidizer (RTO) (by reducing age-related degradation by applying baking system) 	<ul style="list-style-type: none"> Reduced VOC emissions by 5,500 t/year Completion and delivery of production model of improved regenerative thermal oxidizer (RTO)(baking-capable type) 	●	<ul style="list-style-type: none"> Reduce VOC emissions by 5,000 t/year Promoted spread through expansion of models of improved RTO (application to vertical type) and purchase from LCC 	●	●	●	●	●	●	●			
		Development of market for utilizing new environment-responsive technologies	<ul style="list-style-type: none"> Promote new business by applying environmental engineering technologies Development of a paint system designed to achieve a 100% paint efficiency 	<ul style="list-style-type: none"> Business strategy with an eye on overseas development of plant factories and system for factories manufacturing lithium-ion batteries Checked capabilities/issues through basic test 	●	<ul style="list-style-type: none"> Continue with activities Check capabilities through medium-scale test / address issues 	●	●	●	●	●	●	●			
	Promote environmental conservation activities	Reduction of environmental impacts in the design and construction phases	<ul style="list-style-type: none"> Reduce construction by-products and treat industrial waste appropriately Appropriate management of fluorocarbon refrigerant 	<ul style="list-style-type: none"> Prevented outflow of liquid caused by breakage of tanks of pre-treatment lines and electrodepositing lines of paint facilities Achieved quake-proof design implementation rate of 100% in applicable projects Reduction, regeneration and recycling of construction waste, recycling rate of 90% Rate of compliance in the number of manifests issued of 100% Electronic manifest introduction rate of 98% Implemented thorough management by using "Fluorocarbon Refrigerant Filling and Recovery Control Manifest" Achieved a Filling and Recovery Control Manifest storage rate of 100% 	●	<ul style="list-style-type: none"> Continue with activities Reduction, regeneration, and recycling of construction waste, recycling rate of 90% or more Rate of compliance in the number of manifests issued of 100% Electronic manifest introduction rate of 95% or more Implement thorough management by using "Fluorocarbon Refrigerant Filling and Recovery Control Manifest" Achieve a Filling and Recovery Control Manifest storage rate of 100% 	●	●	●	●	●	●	●		pp. 27-34	
		Energy-saving activities in the office	<ul style="list-style-type: none"> Reduction of paper usage (promotion of paperless meetings) Reduce energy use in the office Reduce environmental impact caused by transportation 	<ul style="list-style-type: none"> Purchased volume of photocopy paper (A4-sized equivalent): 8,921 sheets/person-year Reduced power usage to 146 kW/m²-year Achieved a rate of eco-friendly cars to the total number of new vehicles introduced of 100% Achieved a rate of introduction of ETC systems in vehicles of 100% 	●	<ul style="list-style-type: none"> Purchase volume of photocopy paper (A4-sized equivalent): 9,200 sheets/person-year Reduce power usage to 156 kW/m²-year or less Achieve a rate of eco-friendly cars to the total number of new vehicles introduced of 100% Achieve a rate of introduction of ETC systems in vehicles of 100% 	●	●	●	●	●	●	●		pp. 25,36	
		Promoted green procurement		<ul style="list-style-type: none"> Promote purchase of equipment included in the list of green procurement items Promote paperless purchase order process through online purchases 	<ul style="list-style-type: none"> Achieved a green procurement amount of 4,222 million yen Increased the paperless rate of 85.9% through online purchases 	●	<ul style="list-style-type: none"> Achieve a green procurement amount of 4,400 million yen Increase the paperless rate to over 87% through online purchases 	●	●	●	●	●	●		●	p. 35
			Industrial Health and Safety	Health and Safety of Workers	<ul style="list-style-type: none"> Conduct organized safety management activities Improvement of the level of industrial health and safety management 	<ul style="list-style-type: none"> Safety record Frequency rate: 0.422; Severity rate: 0.016 Fatal/serious accidents: None 	●	<ul style="list-style-type: none"> Continue with organized safety management activities Continue to provide industrial health and safety education based on education and training schemes to employees and subcontractors 	●	●	●	●	●		●	●
	Contributions to Society	Quality improvement	Quality and customer satisfaction improvement	<ul style="list-style-type: none"> Ensure quality without "Muda" (wasteful), "Mura" (inconsistent), and "Muri" (unreasonable) and continuous implementation of improvement measures Gain customers' trust and high evaluation from society by utilizing the QC follow-up chart 	<ul style="list-style-type: none"> Extracted technical issues at the design examination meeting and construction review meeting, and confirmed them by cross-functional departments Reduced quality defects by conducting quality inspections in each construction process 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●		●	pp. 39-40
		Consideration of human rights	Respect for human rights/prohibition of discrimination	<ul style="list-style-type: none"> Strengthen responses to harassment Promote employees' use of Employee Consultation Desk 	<ul style="list-style-type: none"> Provided harassment consultation Provided education to new employees/newly appointed managers 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●		●	pp. 41-45
Human resource development and cultivation		Support and facilitate employees' capacity development	<ul style="list-style-type: none"> Improvement of the career advancement system Development and improvement of the training system 	<ul style="list-style-type: none"> Provided training for persons in each target job position 	●	<ul style="list-style-type: none"> Continuously improve the content of a program with an eye on PDCA 	●	●	●	●	●	●	●			
Work-Life Balance		Creation of pleasant working environment	<ul style="list-style-type: none"> Achievement of work-style reform Promote career advancement of female employees 	<ul style="list-style-type: none"> Introduction of the global human resource system 	●	<ul style="list-style-type: none"> Firmly establish the global human resource system in each overseas business office 	●	●	●	●	●	●	●			
Supply chain management		Sharing and promotion of CSR in the supply chain	<ul style="list-style-type: none"> Promote procurement activities based on fairness and transparency 	<ul style="list-style-type: none"> Eliminated anti-social forces Confirmed appropriate trading conditions 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●	●	p. 46		
Community/social contribution activities		Activities as a member of society (corporate citizen)	<ul style="list-style-type: none"> Promote activities that help the sustainable development of communities and society 	<ul style="list-style-type: none"> Participated in the CSR Network in Shinjuku Conducted activities, such as community cleaning activity and offering a donation to Keidanren Nature Conservation Fund 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●	●	pp. 47-48		
Dialogue with shareholders and investors		Promote dialogue with shareholders and investors	<ul style="list-style-type: none"> Timely and appropriate information disclosure and proactive IR activities 	<ul style="list-style-type: none"> Published shareholder newsletter Held earnings results briefing and individual meeting with investors 	●	<ul style="list-style-type: none"> Continue with activities 	●	●	●	●	●	●	●	p. 49		

Self-assessment ●: In line with the plan ▲: Fell below the plan

Top Management's Message | Corporate Overview | Business Outline | Taikisha's Materiality | Key Measures and Progress of Activities | Governance | Environment | Contributions to Society

Governance

Taikisha is continuously working to strengthen corporate governance and build an attractive company to achieve continuous growth and contribute to society.



Corporate Governance

Taikisha has established a corporate governance system and structure that wins trust from all stakeholders.



Basic Policy

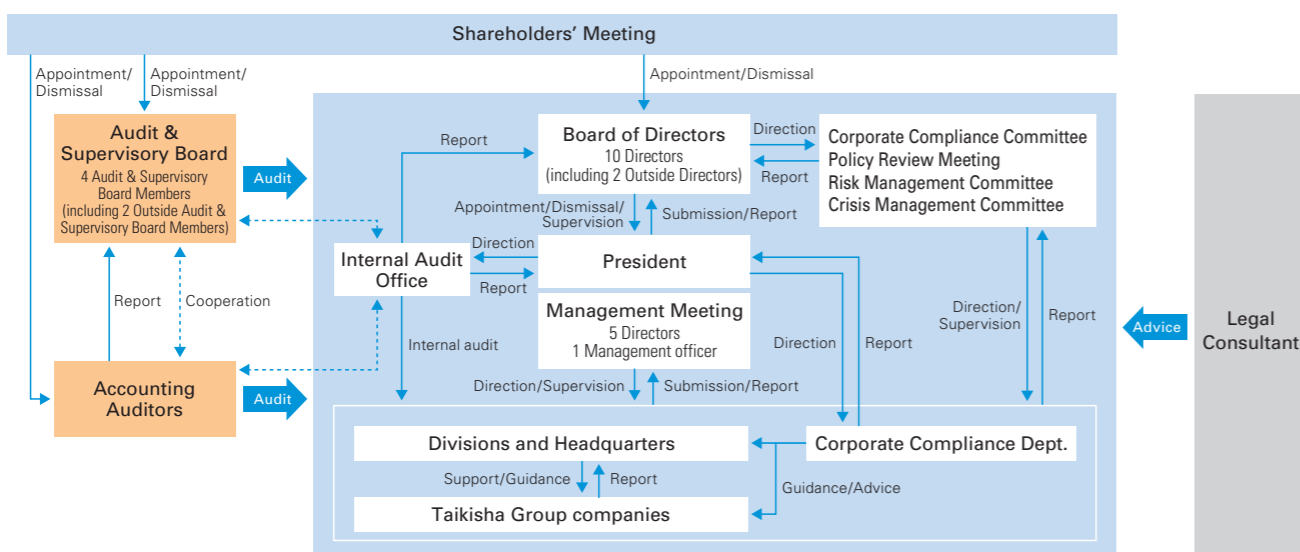
Taikisha has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management. The aim is to achieve its corporate philosophy and management vision in accordance with Taikisha's mission statement: "Customers First". In conformity with the basic policy and based on the organizational structure of a company with an audit & supervisory board, Taikisha is continuously working to strengthen the Taikisha group's governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of

Directors through the application of Non-executive Directors (meaning Outside Directors and the Director & Chairman, the same shall apply hereinafter) and speeding up the decision-making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce the corporate governance of Taikisha.

Corporate Governance System

The Board of Directors, comprised of ten Directors including two Outside Directors, makes decisions on important management matters, and monitors and supervises the execution of duties by each Director and each Corporate Officer. The Board of Directors Meeting, chaired by a non-executive Chairman of the Board, generally meets once

● Pattern Diagram of Corporate Governance (as of June 29, 2017)



a month with additional meetings as and when required. Taikisha has adopted the corporate officer system in order to clarify the responsibilities and authorities in corporate management and function of execution of duties, as well as to revitalize the Board of Directors and speed up its decision-making processes by reducing the number of Directors. Corporate Officers are appointed by resolution of the Board of Directors (tenure: one year) and execute their duties based on the management policy decided by the Board of Directors. The total number of Corporate Officers is twenty-two, of which seven serve concurrently as Directors.

Taikisha has established the Management Meeting chaired by the President to increase the effectiveness and efficiency of Taikisha's management. The Management Meeting, consisting of five Directors and one Managing Corporate Officer, generally meets once each month with additional meetings as and when required. It carries out sufficient deliberations and speedy decision-making on Taikisha Group's specific matters related to business execution delegated by the Board of Directors. Audit & Supervisory Board Members attend the Management Meeting whenever necessary and present their opinions from an objective and neutral standpoint. Taikisha has four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, and they conduct audits on important decision-making processes and execution of duties in Taikisha Ltd. and Taikisha group companies. Audit & Supervisory Board Members attend major meetings, including the Board of Directors and the Management Meeting, and collect information from the Internal Audit Office and other relevant departments in order to provide advice and recommendations for operational improvement and other

issues. In addition, Audit & Supervisory Board Members, in cooperation with the Internal Audit Office, conduct on-site audits of business offices and affiliates in Japan and overseas that are considered important for consolidated management. Audit & Supervisory Board Members also receive reports from the Internal Audit Office and Accounting Auditors regarding their audit plans, the status of implementation of audits, audit results, and other issues on a periodic basis, and request further examination and explanation on these issues as and when required.

Each Function that Supports Corporate Governance

Taikisha, based on the recognition that violation of laws and ordinances is its biggest management risk, has formulated a basic policy for the establishment of the internal control system based on the Companies Act in order to ensure and enforce compliance with laws and ordinances. In addition, for the purpose of establishing a lawful and efficient corporate structure, Taikisha has set up the following systems: 1) compliance system, 2) information management system; 3) risk management system; 4) system to ensure the efficiency and transparency of management decisions; 5) group management system; and 6) system regarding audit by Audit & Supervisory Board Members (supporting system for Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members, and system to ensure the effectiveness of audit). Taikisha reviews these systems continuously to make improvements where necessary.

Corporate Governance Report:
<http://www.taikisha-group.com/corporate/pdf/CorporateGovernance.pdf>

Evaluation of the Effectiveness of the Board of Directors

● Method of evaluation

Taikisha Ltd. conducts an analysis and evaluation of the effectiveness of the Board of Directors and discloses the results thereof at least once a year to increase the effectiveness of the Board of Directors and enhance information provision to external stakeholders. In FY2016, the company, led by the Chairman of the Board, conducted an analysis and evaluation of the effectiveness of the Board of Directors as a whole. In these activities, each of the Directors and Audit & Supervisory Board Members was asked to complete a self-evaluation questionnaire on "roles to be played by the Board of Directors" and "matters that should be considered by the Board of Directors in order to fulfill such roles". The Board of Directors discussed its effectiveness based on the results of the analysis.

● Results of evaluation

As a result, the company evaluated that the effectiveness of the Board of Directors is ensured. The Board of Directors of the company assumes the roles of making decisions on important management matters and effectively performing a supervisory function on the overall management of the company. The aim is to put the Company's Mission Statement "Customers First" into practice and contribute to achieving sustainable growth and medium- to long-term improvement of corporate value. In order for the Board of Directors to fulfill such roles, it has been provided with sufficient amounts of reference materials and time necessary for deliberations on agendas for the Board of Directors meetings, while receiving reports on the status of business execution on a regular basis.

With regard to matters identified as issues as a result of the analysis and evaluation of the effectiveness conducted in FY2015, the company has been improving those matters in order of priority. The company has reviewed the roles of each meeting and changed the method of operating the Risk Management Committee, etc. In addition, the company deepened discussion on basic policies for the management infrastructure, such as a mission-critical IT system. Moreover, the company has improved the environment for further promoting constructive dialogues with each stakeholder.

● Efforts to address extracted issues

The company will continue to re-examine the roles and methods of operating each meeting and devise ways to clarify the main points of matters to be reported to the Board of Directors that need stronger supervision, with the aim of further strengthening the supervisory function of the Board of Directors. In addition, the company will take more time for discussions on matters, such as work-style reforms and human resource development, and reinforcement of the risk management system of the Taikisha Group, as well as development and management of basic systems, personnel systems, and accounting infrastructure, etc. that support the medium- and long-term growth of the Taikisha Group. The company is working to further enhance and strengthen corporate governance. To this end, it will address the management issues identified through this year's effectiveness analysis and evaluation in order of priority, and continuously examine measures to improve the effectiveness of the Board of Directors.

Risk Management

Taikisha endeavors to thoroughly manage, avoid and reduce risks on an organizational level.



Basic Policy

Taikisha has upheld the corporate philosophy of “Establish a company which can continuously grow and contribute to society.” Guided by this philosophy, Taikisha is working to reduce material risks and minimize risks before they materialize, in order to continue with businesses and achieve their sustainable development. In recent years, Taikisha has had a renewed awareness that compliance is its biggest management risk. Hence, Taikisha has positioned risks related to crisis management that involves human lives overseas and information management, as important issues that would have a significant impact on its management, and is striving to strengthen its risk response capabilities.

Risk Management System

Taikisha, in accordance with the Risk Management Rules that have been in place, has established the Risk Management Committee to implement effective, efficient, and integrated risk management. The Risk Management Committee is chaired by the Chief Executive of the Corporate Planning Headquarters and meets twice a year as and where required. The Committee establishes basic policies, responsibility systems, operations, and other necessary measures for group-wide risk management, and keeps all persons involved well informed about the establishment and implementation of policies.

Regarding risks associated with operations assigned to each department, such as quality control, safety control, compliance, and finance, each responsible department extracts risks, selects risks that need to be addressed on a priority basis. It does this after determining the risk level assessment in consideration of “impact on management” and “frequency of occurrence”, and then develops priority management policies and goals to be reported to the Risk Management Committee. The Risk Management Committee discusses the risk level assessment and priority management policies and goals of each risk from a group-wide and integrated perspective, and formulates the basic policy. Each responsible department monitors the status of execution of action plans and reports the results to the Risk Management Committee. The Chairman of the Risk Management Committee puts together the status of group-wide risk management, and reports it to the Board of Directors twice a year.

The Risk Management Committee held in FY2016 took up work-style reform as an immediate company-wide issue, and formulated a policy to take a multidimensional approach.

Crisis Management System

Taikisha has established the Basic Policy for Crisis Management and built the crisis management system to prepare for the occurrence of unforeseen disasters, accidents and incidents in Japan and overseas.

In the event of a crisis, Taikisha classifies crises into three response levels depending on the severity of impact on human lives and business continuity, and implement crisis response measures according to each response level. The Chief Executive of the Administrative Management Headquarters assumes the position of Chairman of the Crisis Management Committee. If it is decided that a particularly serious crisis has occurred, the President and Representative Director takes command as the Head of the Crisis Task Force.

•Diagram of Crisis Management System



Business Continuity Plan (BCP)

Taikisha has formulated a business continuity plan (BCP) that sets out procedures and steps for employees to take in order to restore operations promptly in the event of a crisis.

The Crisis Management Manual provides procedures for dealing with crisis situations, centering on large-scale earthquakes, by placing the highest priority on protecting the lives of its employees and their families. At business offices, Taikisha periodically conducts training, such as training on wireless phone communication and taking inventories and checking expiration dates on emergency food stocks. In addition, Taikisha carries out training on how to handle the safety confirmation system and evacuation drills. In addition, Taikisha continually conducts activities to raise employees’ awareness of disaster control measures, such as carrying out a questionnaire to grasp employees’ commuting distances assuming disruption of public transportation in the event of a disaster.

Internal Control

Taikisha is ensuring sound and effective operations of the organization.



Information Security

Taikisha has strengthened the group’s overall information management system to prevent the leakage of information of customers and business partners. Taikisha has business contact with, as well as personal information of, employees and others.

Taikisha has drawn up the Information Security Rules with detailed rules for all employees and for persons with relevant responsibilities, such as persons in charge of IT system/ facility development, and rules based on a privacy policy. Taikisha also distributed the Information Security Guidebook that shows concrete information security measures. Taikisha has thus been working to raise the awareness of information security among officers and employees.

Taikisha has recently identified possible information security risks, such as unauthorized access to terminals and the network and computer viruses, and put together concrete measures, such as renewing facilities and introducing antivirus software. Taikisha’s plan is to implement these measures in five stages (STEP 1-5), with a target of full implementation by FY2020. Taikisha conducts detailed risk evaluation of the information management system of its overseas business offices by using a checklist to grasp the progress of implementation of measures. Based on this plan, efforts are underway at overseas business offices to review and standardize the Information Security Rules. Sixteen business offices, out of the twenty overseas business offices completed preparing new rules by FY2016, and the remaining four business offices are expected to finish developing new rules by the end of FY2017.

Taikisha plans to make improvements to the new rules established as needed.

•Table of main information security measures

Type of measures	Measures
Ensuring thorough compliance with rules and regulations	Formulation of the Information Security Rules
	Creation of the information security guidebook
	Provision of e-learning programs to officers and employees
Measures to prevent information abuse	Encrypting information terminals
	Password authentication at startup of information terminals
	ID and password management
	Security measures for entrance and exit control
	Automatic encryption of email attachments
Measures to protect against malware and other external threats	Anti-virus measures
	Automatic application of patches
	Website filtering
	Measures to block spam
	Monitoring of unauthorized communication on the company network

Internal Audit

The Internal Audit Office conducts audits on business execution department and identifies and gives advice on points to be improved, while working in cooperation with Directors and Audit & Supervisory Board Members as a department directly under the Representative Director, and follows up on the status of improvement.

Taikisha conducted audits on business offices in Japan and overseas from the perspective of legitimacy and rationality of the status of compliance with laws and ordinances that are closely related to operations including the Construction Industry Act and the Antimonopoly Act, the status of construction project contract management, and appropriateness of construction activities. Taikisha did so with the main focus on “effectiveness and efficiency of operations”, “reliability of financial reporting”, “compliance with laws and regulations”, and “asset protection”.

In FY2016, Taikisha carried out audits at a total of 62 sites (including 26 construction sites in Japan and 8 overseas business offices). The Internal Audit Office also evaluated the status of establishment and operation of internal control over financial reporting of Taikisha, and reported on the effectiveness thereof to the Board of Directors.



Internal audit

Compliance

Taikisha is ensuring compliance with laws and ordinances across the organization.



Compliance System

Taikisha has set out the behavioral standards to be complied with by all officers and employees to conduct fair and sound business activities in the "Taikisha Ltd. Code of Conduct", in accordance with the spirit of the Mission Statement: "Customers First". Taikisha has also established the Compliance Activity Standards to implement the Code of Conduct. In addition, Taikisha has distributed the Compliance Manual serving as guidelines for concrete actions to all employees to ensure thorough understanding and compliance with the standards.

Taikisha's compliance promotion structure is comprised of the Company-wide Compliance Committee, Corporate Compliance Dept., Compliance Officers, and the Whistle-blowing System.

The Company-wide Compliance Committee is chaired by the President and Representative Director and comprised of Directors, members of the Management Meeting, the General Manager of the Internal Audit Office, and the General Manager of the Corporate Compliance Dept. The Committee generally meets once a month, and reports and responds to compliance issues of Taikisha's overall business activities from a management perspective.

The Corporate Compliance Dept. formulates plans based on the compliance policies set out by the Company-wide Compliance Committee, while maintaining independence as a department directly under the Representative Directors, and promotes activities for enhancing compliance awareness in all officers and employees. The Corporate Compliance Dept. reports on the status of its activities to the Company-wide Compliance Committee.

In addition, Taikisha assigns a Compliance Officer in each business office and business division, as well as each group company in Japan and overseas, thus clearly separating the

directing/reporting line from/to the Corporate Compliance Dept., to strengthen the compliance system.

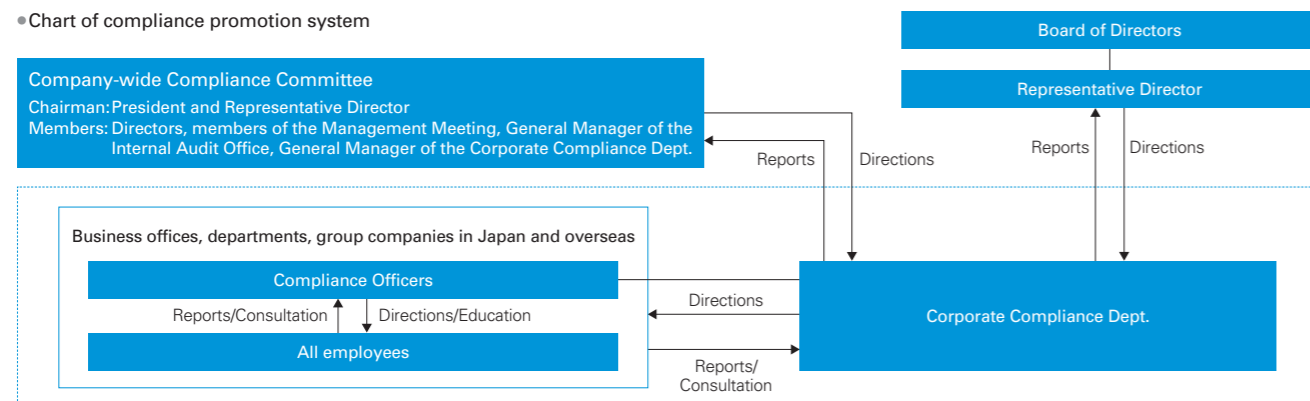
Monitoring of Compliance Risk

The Corporate Compliance Dept. regularly visits business offices in Japan and overseas to monitor the status of compliance with laws, ordinances, and internal rules.

The Corporate Compliance Dept. assesses the monitoring results of each business office on a four-point scale, quantitatively grasps and manages the status of compliance and compliance issues. In addition, the Corporate Compliance Dept. points out issues and gives guidance for its enhancement. In the monitoring of business offices in Japan, the Corporate Compliance Dept. broadly checks the status of compliance with laws and ordinances, including the Antimonopoly Act, and internal rules, as well as the status of dissemination of the Whistle-blowing System and issues regarding the work environment. In the monitoring of overseas business offices, the Corporate Compliance Dept. checks the status of compliance with the Anti-Bribery Act and the Competition Act, the status of dissemination of the Whistle-blowing System, and risks specific to each business office based on the conditions of its country. In overseas business offices, Taikisha has established a double-check structure whereby the Compliance Officer of each business office manages the status of compliance at the office while the Corporate Compliance Dept. checks the status of activities of the Compliance Officer.

By taking these measures, Taikisha aims to establish its compliance system that detects minor cases and implements remedial measures on their own while preventing material legal violations both in domestic and overseas business offices.

●Chart of compliance promotion system



Efforts to Firmly Establish Compliance

Taikisha has designated October of each year as the Compliance Promotion Month to promote the penetration and establishment of compliance awareness. During the Month, Taikisha holds read-through sessions of the Compliance Manual and provides an e-learning program targeting all employees. As activities in the Month, Taikisha also solicits compliance slogans internally. Taikisha makes compliance posters with excellent slogans chosen from entries sent in and distribute the posters to business offices in Japan and overseas. As part of legal compliance activities, Taikisha has created Q&A manuals on 28 laws that are closely associated with its businesses, such as the Construction Industry Act and the Antimonopoly Act. The manuals explain the relations between legal requirements of such laws and its businesses in a Q&A form. The Q&A manuals have been distributed to all employees.

●Compliance posters



For domestic business offices

For overseas business offices

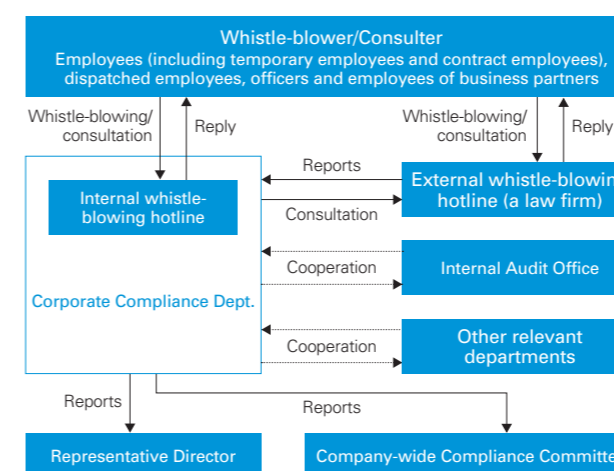
The Whistle-blowing System

Taikisha has established a whistle-blowing hotline through which any legal violation, misconduct, or unethical conduct can be reported directly to the Corporate Compliance Dept. or an outside law firm. The whistle-blowing hotline can be used by employees of Taikisha and its group companies as well as dispatched employees, and officers and employees of business partners.

Taikisha launched the whistle-blowing hotline in Japan in FY2006. In FY2015, Taikisha started developing the whistle-blowing hotline at its overseas business offices. As of the end of March 2017, the whistle-blowing hotline is in service at Taikisha's 19 overseas business offices. In operating the whistle-blowing hotline, Taikisha takes all possible means to protect the privacy of whistleblowers. For instance, Taikisha strictly manages contents of whistle-blowing reports received by the whistle-blowing hotline and conduct awareness-raising activities on protection of whistle-blowers to employees.

In FY2016, Taikisha received 11 whistle-blowing reports in Japan. Taikisha has taken appropriate responses to all these cases after speedily conducting investigations into them.

●Whistle-blowing process flowchart



The Status of Implementation of Compliance Training

Taikisha regularly provides compliance training at its business offices in Japan and overseas, with the purpose of thoroughly getting across important laws, ordinances and rules that have a high compliance violation risk and reducing such risk.

In FY2016, Taikisha held 52 training sessions with prevention of Antimonopoly Act violations and internal misconduct and dissemination of the Whistle-blowing system as the main themes, and a total of 865 employees attended. Taikisha also held 13 compliance training sessions at its overseas business offices and a total of 505 people attended. The main themes were the Mission Statement, the overseas compliance program, the Competition Act, the Anti-Bribery Act, case studies, and the Whistle-blowing System. In this way, Taikisha is endeavoring to raise the awareness of compliance of national staffs in its overseas business offices. The development of the Competition Act and the Anti-Bribery Act has been well underway in recent years, especially in Asia, and Taikisha recognizes that risks of law violations are increasing.

As for the efforts for preventing bribery, the Compliance Manual clearly states Taikisha's strong stance to prohibit bribing anybody regardless of the attribution of them, e.g., public officers or private sector companies. By providing compliance education such as training sessions and the Compliance Manual, Taikisha prevents not only intentional misconduct but also getting involved in bribery due to a lack of awareness or knowledge of the persons concerned.

●Compliance Manual



Environment

Taikisha is working to realize a low carbon society by reducing greenhouse gas (GHG) emissions and environmentally hazardous substances by leveraging its technological expertise cultivated in the HVAC business.



Environmental Management

Taikisha continuously operates the environmental management system to raise awareness of the environment and reduce environmental risks.



Environmental Management Vision

Taikisha strives to improve environmental value for its customers and to protect global environment using Taikisha's solution technologies as a company engaged in business related to the environment.

1 Improving Environmental Management

Actively engage in finding solutions for social issues related to the global environment by accurate understanding social trends changing day to day.

Continuously apply environmental management system and reduce environmental risks.

Actively disclose environmental information to the public while improving environmental education and awareness in its offices.

2 Promoting Environmental Business

Promote energy management in life cycles and reduce CO₂ emissions during the operation of systems Taikisha supplies.

Develop technologies for exhaust gas and effluent treatment and contribute to the prevention of environmental pollution.

Promote R&D of new eco-friendly technologies and products.

3 Developing Environmental Conservation Activities

Check and minimize energy consumption in its offices and laboratories.

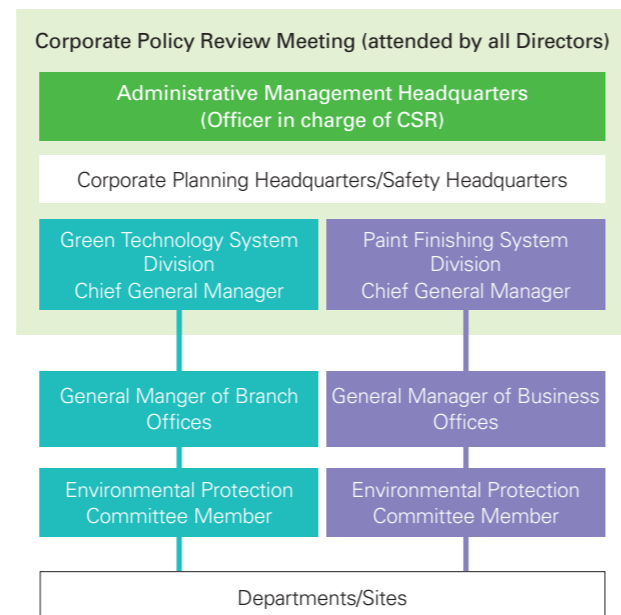
Implement thorough measures regarding the surroundings, construction by-products and harmful materials at its workplaces.

Promote green procurement.

Operation and Promotion System

At Taikisha, the officer in charge of CSR takes the initiative to draw up company-wide action plans, check and assess the status of efforts, and review goals, with the purpose of promoting its efforts for environmental protection based on the "Environmental Management Vision". Taikisha will strive to raise its environmental protection activity level by continuously making improvements through the operation of the environmental management system. Taikisha distributes Taikisha's environmental policy, which is based on the ISO-14001 standard, to its business partners and requests their full cooperation in observing the policy.

● Environmental Management System Operation and Promotion System Chart



Environmental Management Activities

Taikisha has set out the Business Division Environmental Policy and Branch Office Environmental Policy based on the company-wide Environmental Management Vision and Environmental Management Master Plan. Taikisha also evaluates the environmental impact in business processes and creates an environmental impact evaluation sheet. Each department breaks them down into a development plan, design policy plan, and project policy plan for each project and development theme, and promotes day-to-day environmental management activities. The effectiveness of environmental management policies and activities are confirmed at the Corporate Policy Review Meeting, Domestic Business Office General Manager Meeting, Branch Office Management Review Meeting, Development Review Meeting, Design Examination Meeting, and Construction Review Meeting, in order to confirm the status of environmental management activities.

● Deployment of the Environmental Management Activities



Compliance with Laws and Regulations and Responses to Complaints Regarding Environmental Issues

Taikisha stores information in an internal database about revisions to environment-related laws and regulations that need to be taken into account in conducting business operations and information on ordinances of prefectures and designated cities to disseminate the information to all employees. In addition, Taikisha puts information on laws and regulations relevant to each business process in the Quality Assurance System Diagram to further ensure compliance with such laws and regulations. Taikisha records complaints regarding environmental issues that came up in Taikisha, including information on causes of complaints, remedial measures, and preventive measures, in the internal database to share information within the group. There was no major complaint regarding environmental issues that occurred in FY2016. Taikisha conducts employee education in all business offices to prevent the recurrence of complaints that occurred in the past, and provides guidance and education through on-site patrols and other measures.

Status of Acquisition of ISO Certification

The Green Technology System Division has obtained integrated quality and environmental management system certifications covering all business offices in Japan. Taikisha plans to transition to the ISO Standards 2015 in FY2017.

The Paint Finishing System Division integrated a quality and environmental management system and it was certified with ISO Standards 2015 in FY2016.

The acquisition rates at domestic business offices were 100% in both business divisions.

● Taikisha Group's Status of Acquisition of ISO Certification

Country name	Company name	ISO9001	ISO14001
Japan	Taikisha Ltd.	●	●
China	Wuzhou Taikisha Engineering Co.,Ltd.	●	●
Taiwan	Taikisha (Taiwan) Ltd.	●	●
Thailand	Taikisha (Thailand) Co.,Ltd.	●	●
Vietnam	Taikisha Vietnam Engineering Inc.	●	●
Philippines	Taikisha Philippines Inc.	●	●
Singapore	Taikisha (Singapore) Pte. Ltd.	●	●
Malaysia	Taikisha Engineering (M) Sdn. Bhd.	●	●
Indonesia	P.T. Taikisha Indonesia Engineering	●	●
India	Taikisha Engineering India Pvt. Ltd.	●	●
USA	TKS Industrial Company	●	●
Italy	Geico S.p.A.	●	●

Environmental Accounting

Taikisha calculates the cost and economic effects of environmental protection based on the basic concept of the Environmental Accounting Guidelines issued by the Ministry of the Environment.

Environmental protection cost	Amount of cost	Main activities
The cost within the business area	264 million yen	Waste disposal cost, introduction of eco-friendly cars
Management activities cost	9 million yen	In-house environmental management system operation cost, environmental education
Research and development cost	599 million yen	Research and development cost for eco-friendly products and services
Social activity cost	1 million yen	Donation to conservation group
Total	874 million yen	

Economic effects of environmental protection measures	Amount	Main activities
Revenue amount	45 million yen	Proceeds from the sale of valuables
Cost reduction	4 million yen	Cost reduction effect of introduction of eco-friendly cars
Total	50 million yen	

Environmental education (for new employees)

Taikisha provides introductory education on the Vision and System of Environmental Management and education on the environmental management operations of each department, to new employees every year. They also attend skill training courses for senior operations engineers of asbestos, organic solvent work, and hazardous work in oxygen-deficient air or work involving hydrogen sulfide, and obtain certifications. This system ensures that new employees learn the necessary knowledge to handle chemical substances and hazardous substances from their first year.

[Taikisha Group]

Efforts for Realizing a Low Carbon Society

Taikisha is working on reducing GHG emissions in the entire supply chain.



Risks and Opportunities of Climate Change

Sustainable Development Goals (SDGs), a set of goals to be attained by 2030 designed by the United Nations in September 2015, strongly urge organizations to take urgent measures to reduce climate change and its effects. This is because climate change is one of the biggest concerns and is threatening the existence of many countries and the earth's life support system. The Paris Agreement governing climate change reduction measures from 2020, adopted at the United Nations Framework Convention on Climate Change (COP21), has come into effect. The agreement has committed representatives from 196 nations to work together to limit the rise in global average temperature to below 2°C.

Taikisha regards the progress of climate change as a risk. Specifically, there are risks that natural disasters such as typhoons and heavy rains may have adverse effects on the continuity of business and tightening of environmental laws and regulations may affect business activities. On the other hand, Taikisha anticipates growing customer needs for taking environmental measures, and sees such needs as opportunities for helping to curb global warming by providing its environment technologies and promoting their widespread use by customers.

Energy- and Resource-Saving Achievements

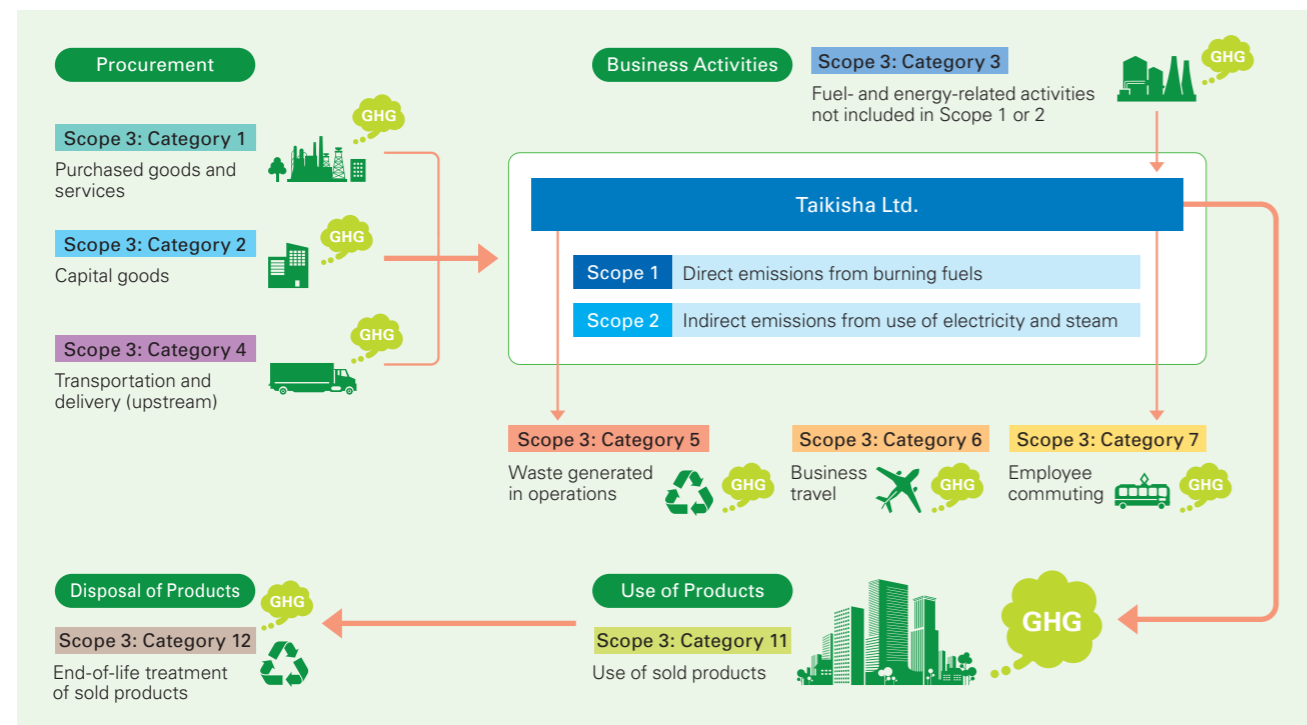
Taikisha's power usage in all offices (domestic offices) in FY2016 was 146 kWh/m² (down 6.4% from the previous year). Taikisha will continue to conduct energy-saving and consumption-reduction activities by raising the awareness of each employee to ensure the implementation of energy-saving measures, such as observing Cool Biz and setting air conditioners at energy efficient temperatures.

Grasping the Level of Scope 1 and 2 Emissions to Reduce CO₂ Emissions

Companies are being required to reduce GHG emissions through business operations at construction sites and offices to help curb global warming.

Looking at Taikisha's GHG emissions in FY2016, Scope 1 emissions, which are direct emissions from combustion of fuels, etc., were 1,531 t-CO₂, and Scope 2 emissions, which are indirect emissions from use of electricity etc, were 1,589 t-CO₂. Taikisha will continue to work on saving energy at construction sites and offices.

● Conceptual Diagram of GHG Emissions Control in the Entire Supply Chain



Breakdown of Scope 3 Emissions

Looking at Taikisha's GHG emissions in the supply chain, Scope 3 emissions were 3,685,354 t-CO₂, of which emissions from category 11 (use of sold products) accounted for the largest portion at 93.12%. Considering that GHG emissions from the operation phase of the facilities Taikisha provides are largest across its supply chain, Taikisha will make greater efforts than ever to provide facilities and systems with high-

energy-saving capabilities.

In addition, Taikisha will further promote green procurement by cooperating with suppliers and continue to reduce construction by-products and to appropriately dispose of industrial waste. The aim is to curb GHG emissions from production, transportation, and disposal of materials and to help conserve the global environment.

Initiatives at the Green Technology System Division

The Green Technology System Division is engaged in a wide range of design and construction activities for air-conditioning and sanitary facilities in broad areas, such as factories, office buildings, and hospitals. CO₂ emissions from buildings are much larger during the operation phase at customers than in the construction stage.

Taikisha contributes to reducing CO₂ emissions and energy saving over a long period by proposing systems that reduce energy consumption throughout the life cycle of buildings and implementing eco-friendly design and construction. In addition, Taikisha has continuously been developing low carbon technologies.

▶ Please see the pages below for details.

- Eco-friendly design and energy-saving proposal activities ▶ P.27
- Development of energy-saving technologies ▶ P.29

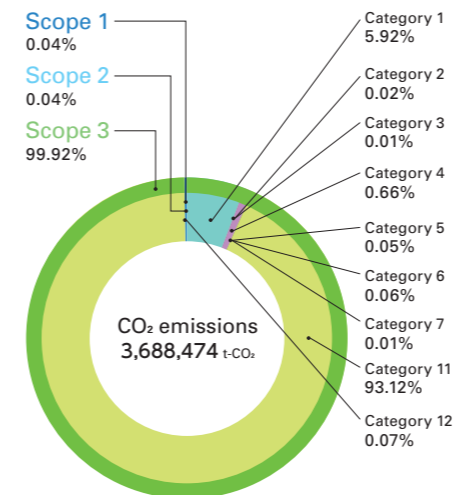
Initiatives at the Paint Finishing System Division

The Paint Finishing System Division is working to reduce CO₂ emissions from the paint process for automobiles and aircrafts. Reducing CO₂ emissions in the paint process is considered an important issue also in the automobile industry. Taikisha is making proposals to reduce CO₂ emissions by promoting energy efficiency and downsizing of facilities. It is doing this by using an energy estimation model for automobile paint finishing lines and setting medium-term reduction targets. Global automobile production has been growing, and a number of paint finishing plants are expected to be newly established or updated. Taikisha will help customers take measures to curb global warming by promoting proposals for its low carbon technologies.

▶ Please see the pages below for details.

- CO₂ emissions reduction activities from the paint process ▶ P.28
- Technology proposal plan for achieving the third medium-term target of 70 kg-CO₂/unit in 2020 ▶ P.28

● Breakdown of Scope/Category



* Emission factor is calculated based on the Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (ver. 2.4) of the Ministry of the Environment and the Ministry of Economy, Trade and Industry and CFP COMMUNICATION PROGRAM DB ver. 1.01.

Scope/Category	Accounting methods*2	Emission amount (t-CO ₂)	
Scope 1	—	1,531	
Scope 2	—	1,589	
Scope 3		3,685,354	
Category 1	Calculated from (raw) materials procurement amount (in value terms)	218,483	
Category 2	Calculated from amount of capital investment	695	
Category 3	Fuel- and energy-related activities not included in Scope 1 or 2	342	
Category 4	Transportation and delivery (upstream)	Calculated from transportation costs accompanying procurement of (raw) materials	24,375
Category 5	Waste generated in operations	Calculated from amount of waste discharged by type	1,678
Category 6	Business travel	Calculated from travel expenses paid by mode of transportation	2,385
Category 7	Employee commuting	Calculated from transportation expenses paid to employees	260
Category 8	Leased assets (upstream)	Included in Scope 1 and 2 emission calculation	—
Category 9	Transportation and delivery (downstream)	No relevant activities	—
Category 10	Processing of sold products	There are some products that are relevant, but calculations are ignored because their ratios in sales are extremely small.	—
Category 11	Use of sold products	Calculated from emissions from operation of facilities Taikisha provided, HFC leakage from equipment Taikisha provided, and estimated useful lives	3,434,618
Category 12	End-of-life treatment of sold products	Calculated from weight of main equipment by type	2,518
Category 13	Leased assets (downstream)	No relevant activities	—
Category 14	Franchises	No relevant activities	—
Category 15	Investments	Calculations are ignored because the validity of the category 15 estimates is low as a result of many portfolio companies not disclosing Scope 1 and 2 emissions and the impact of the category 15 estimates on the entire supply chain is small.	—
Total of Scope 1, 2 and 3		3,688,474	

[Green Technology System Division]

Efforts for Realizing a Low Carbon Society

Taikisha is helping to reduce GHG emissions at the operation phase of the air-conditioning and sanitary facilities it provides to customers.



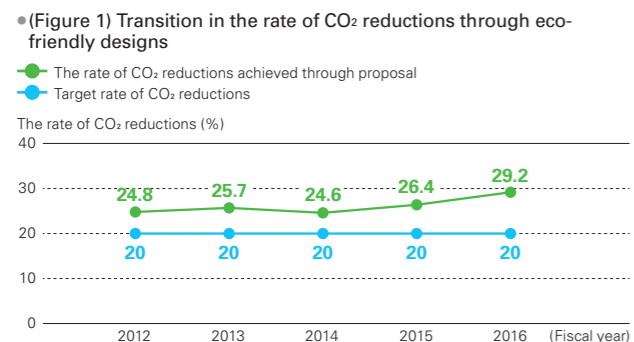
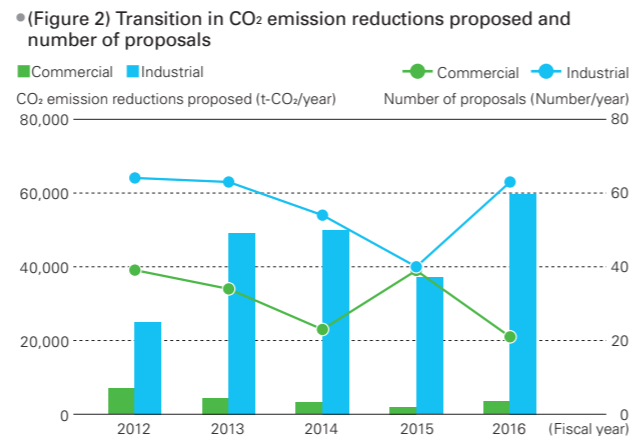
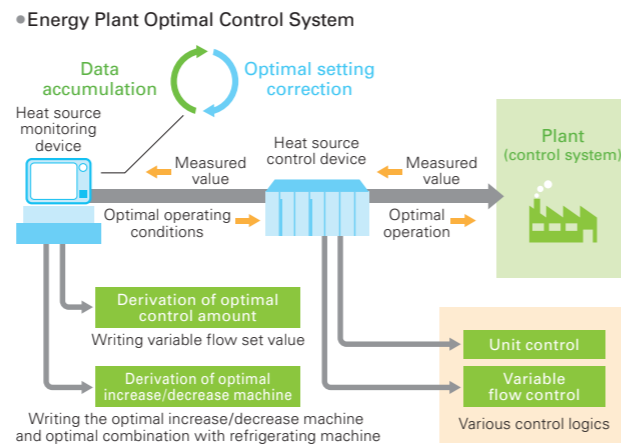
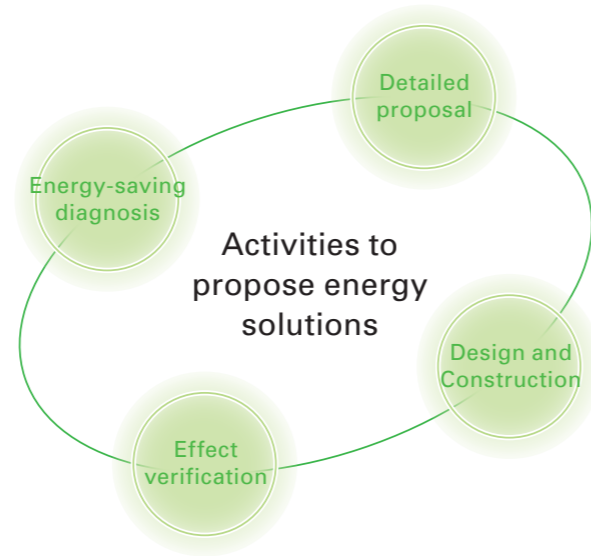
Activities in the Field of Air-Conditioning System for Buildings and Factories

Eco-Friendly Design and Energy Saving Proposal Activities

The Green Technology System Division, as part of promoting eco-friendly designs, makes proposals for improving the energy efficiency (reducing environmental impacts) of facilities owned by customers.

In energy-saving proposal activities, the Division repeats the cycle of energy-saving diagnosis to grasp the current status, make detailed proposals based on customers' future visions, design and construction, and verify the effects in the operation phase.

Taikisha defines the rate of CO₂ reductions through eco-friendly designs as the rate of CO₂ emissions reduced from facilities owned by customers due to Taikisha's proposals. The transition in the rate of CO₂ reductions for the past five years is shown in Figure 1. In FY2016, Taikisha conducted activities by setting a target for the rate of CO₂ reductions of a weighted average of 20% or higher, and Taikisha exceeded the target at 29.2%. The number of proposals and the proposed amount of CO₂ emission reductions are classified by commercial customer (for offices and hospitals, etc.) and industrial customer (plants, etc.) and their transitions are shown in Figure 2. Most of the energy-saving proposals made were related to heat source systems, which have a large potential for reducing CO₂ emissions. The number of requests for proposing medium- and long-term plans for examining future visions for CO₂ emission reductions has been increasing since FY2013. The amount of proposed CO₂ emission reductions that corresponds to Category 11 under Scope 3 was about 940,000 t-CO₂ (the effect of 15 years of operation). Taikisha is also working to propose the Energy Plant Optimal Control System (in-house development) that can achieve further energy saving overall.



[Paint Finishing System Division]

Efforts for Realizing a Low Carbon Society

Taikisha is helping to reduce GHG emissions in the paint finishing process for automobiles, etc.



Activities in the Field of Automobile Paint Finishing Systems

Activities to Reduce CO₂ Emissions from the Paint Finishing Process

The Paint Finishing System Division has proposed plans to reduce CO₂ emissions from paint facilities in the automobile manufacturing process.

Since 2000, Taikisha has been promoting activities to reduce CO₂ emissions by calculating CO₂ emissions. It has been doing this by using the energy estimation model for automobile paint finishing lines.

CO₂ emissions, which were 160.1 kg-CO₂/unit in 2005, decreased in 2012 to 100 kg-CO₂/unit, which is the first medium-term target. In 2015, Taikisha reduced CO₂ emissions further to 80 kg-CO₂/unit, which is the second medium-term target, by promoting facility technologies, such as heat pumps and dry filtration booths. Taikisha sets the third medium-term target to 70 kg-CO₂/unit in 2020, and will promote proposals for the existing latest technologies.

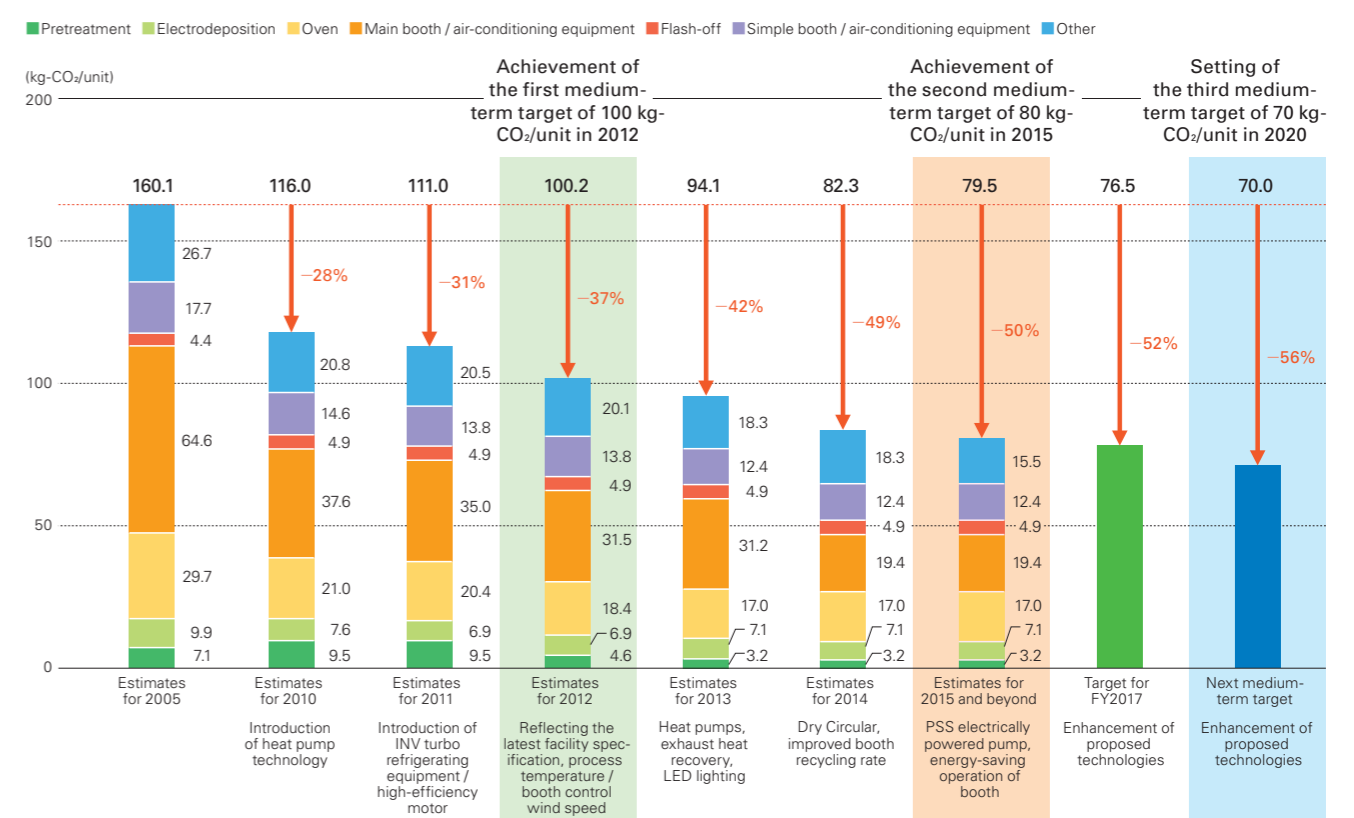
Technology Proposal Plan for Achieving the Third Medium-Term Target of 70 kg-CO₂/unit in 2020

For FY2017, Taikisha has set the target at 76.5 kg-CO₂/unit with an eye on achieving the third medium-term target of 70 kg-CO₂/unit in 2020.

Specifically, Taikisha will promote the introduction of renewable energy (solar thermal energy, etc.), consider waste heat recovery from lower temperature sources, and technology development, such as downsizing paint finishing systems and enabling lower baking temperatures in drying ovens. Taikisha will consider adopting next-generation energy sources including hydrogen by 2020.

Taikisha's aim is to help protect the global environment by implementing those technology proposals for paint finishing systems in cooperation with automobile manufacturers and other related companies.

•CO₂ emissions estimates at automobile paint finishing plants: Transition in CO₂ emission reductions proposed and future target



[Energy-Saving Technologies]

Environmental Impact Reduction Technologies

Taikisha is striving to reduce environmental impacts by utilizing its technologies cultivated over the years.



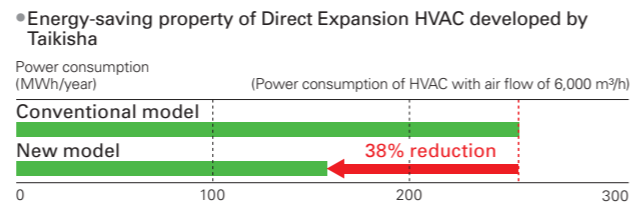
Development of Energy-Saving Technologies

The Research and Development Center has continuously been developing technologies that help reduce environmental impacts. Taikisha sets reduction targets in the planning phase of development, and conducts a target achievement rate assessment at the completion phase.

Energy-saving technologies developed recently are Direct Expansion HVAC and DRYDECO. Direct Expansion HVAC does not require hot/cold water for air conditioning and sends heat efficiently. By reducing temperature changes when switching between heating and cooling, Taikisha succeeded in expanding the application of the technology to the air-conditioning field. DRYDECO, a hydrogen peroxide-based

decontamination system, is used for disinfecting cleanrooms, an activity that is conducted regularly in pharmaceutical plants. In the course of developing DRYDECO Mobby (mobile hydrogen peroxide-based decontamination system), Taikisha managed to reduce the operating power consumption.

Taikisha is working to reduce environmental impacts by improving energy efficiency and downsizing also in projects under development.

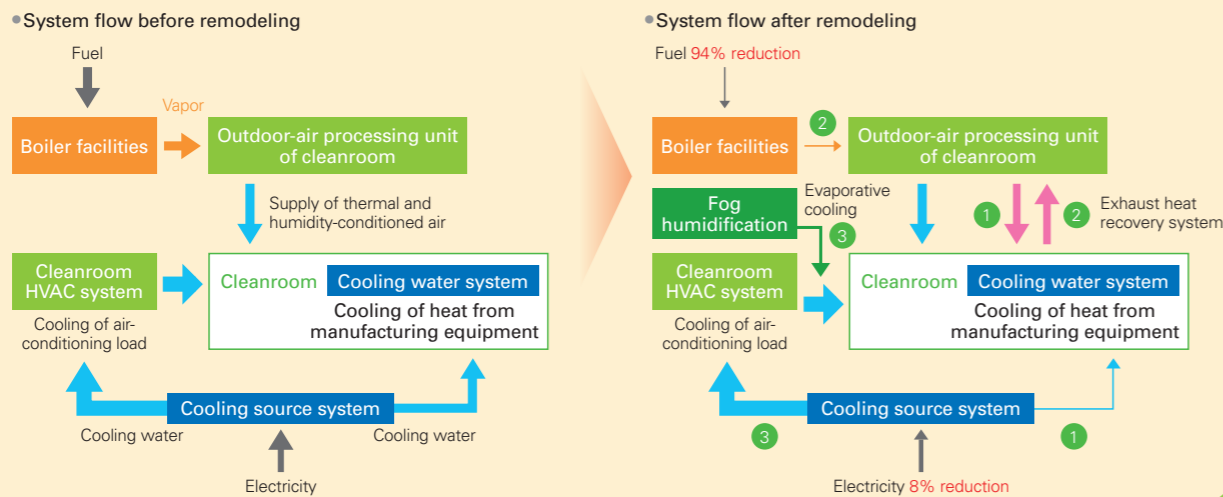


Column

Achieved energy saving in cleanroom HVAC system through the use of exhaust heat recovery system

Taikisha succeeded in reducing the annual power consumption of an air-conditioning system for an existing semiconductor factory by over 35% by using exhaust heat recovered from manufacturing equipment. The adoption of fog humidification in the cleanroom air circulation HVAC system enabled the use of low-temperature warm water of about 25°C, heated by exhaust heat recovered from manufacturing coolant water, and brought about energy saving on various fronts.

- Reduction of cold water load of cooling water system through the use of exhaust heat recovery system
 - Reduction of refrigeration power
- Reduction of steam load of outdoor-air processing unit through the use of exhaust heat recovery system
 - Reduction of boiler fuel consumption
- Reduction of cold water load of air circulation HVAC system through fog humidification evaporative cooling
 - Reduction of refrigeration power



Energy Saving from Paint Booth

New wet-type scrubber paint booth "S-1 Wet-type circular"

Paint booths are classified broadly into a "paint booth with wet scrubbers that use water" and a "pre-coating type dry paint booth system."

In recent years, dry paint booth systems (Dry Circular Mark II) have been adopted increasingly. They have a features of no drainage, significant energy-saving effects, and reduction of CO₂ emissions.

On the other hand, wet-type scrubber paint booths are still in strong demand from many customers, including automobile manufacturers, for their high levels of reliability and convenience. In addition, supply infrastructure is not available in some areas for the pre-coating agent necessary for dry filter paint booths, and Taikisha has continued to provide wet-type scrubber paint booths.

Taikisha has made many improvements to wet-type paint booths since the early 1980s to improve W-type wet-type circular featuring a low noise level, and completed the development of higher-performance S-1 type wet-type circular as a next-generation model.

Features of new S-1 type wet-type circular

In a paint booth, paint is applied to an automobile body by spraying as shown in Figure 1. Paint mist that did not adhere to automobile bodies is sent on a uniform downflow to the circular system, and collected after it collides with particles of water at the venturi throat.

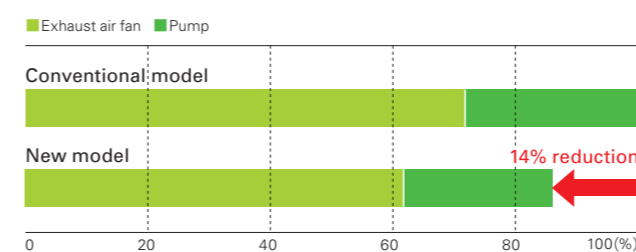
The features of S-1 type wet-type circular shown in Figure 2 are energy saving with a small energy loss achieved through a simplified structure, as well as excellent maintainability.

Energy-saving effect

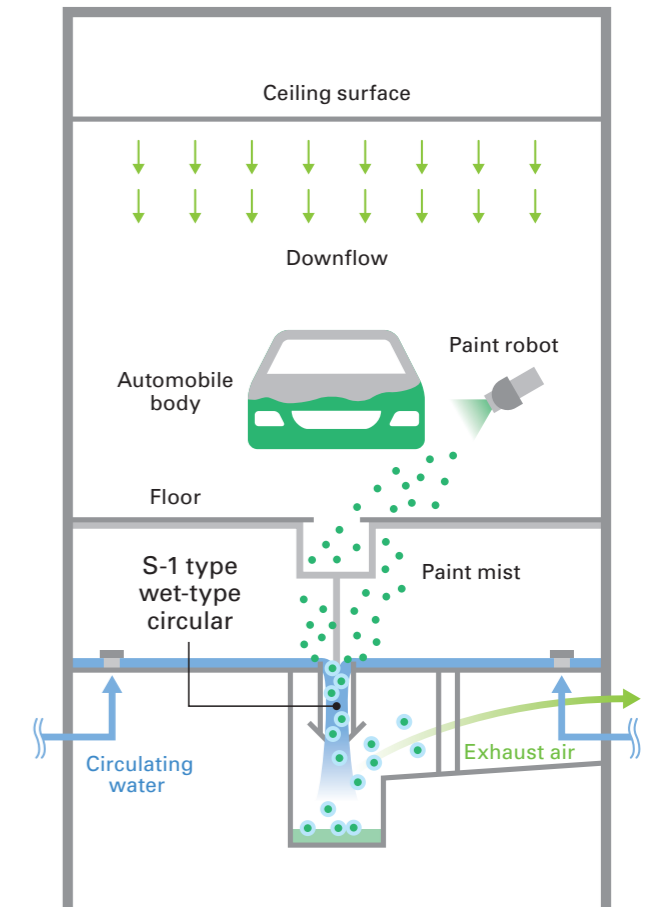
New S-1 type wet type circular achieved a 22% reduction in circular pressure drop and a 13% reduction in amount of circulating water with the same dust removal efficiency as the conventional W-type wet-type circular.

The above-mentioned energy-saving effects have led to a 14% energy saving compared with the conventional type of wet-type circular. (Figure 3)

•(Figure 3) Comparison of power consumption between conventional type and new type of wet-type circulars



•(Figure 1) Flow of wet-type scrubber paint booth



•(Figure 2) Comparison of air flow between conventional type and new type of wet-type circulars

	W-type wet-type circular (conventional type)	S-1 type wet-type circular (new type)
Configuration of circular	Sharp meander bend due to a BOX structure	Straight form
Features	This circular has a BOX structure and venturi throat set horizontally with a focus on reducing noise.	With the new-type circular, all the process air flows straight leading to reduced energy loss and this ensures greater dust removal efficiency. Low energy loss

[Exhaust Air Processing Technologies]

Environment Impact Reduction Technologies

Taikisha is striving to reduce environmental impacts by utilizing its technologies cultivated over the years.



Environmental Impact Reduction through Exhaust Gas Treatment Technology

Volatile organic compounds (VOC), used in automobile painting and various other fields, are the main causative agent of photochemical smog, etc., and reducing these VOC emissions has become a major social concern in recent years.

Taikisha has been undertaking the development of high-heat-recovery efficiency, high-energy-saving, direct fired regenerative thermal oxidizers (RTO) over the years based on its VOC-reduction technologies developed in the automobile paint finishing system business field. The equipment performs oxidative decomposition at a high temperature, allowing most VOC to decompose, and achieves a high thermal recovery rate of 95% or higher. Another feature of the equipment is that it can perform self-sustained combustion operation, whereby high-temperature conditions can be sustained only with combustion heat of a solvent if the level of VOC is high.

Taikisha has a track record of selling more than 300 units of dual-tower RTO and 40 units of rotary-type RTO and offers wide-ranging product lines.

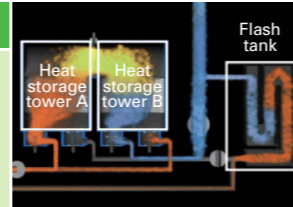
Product line of RTO

Dual-Tower RTO

Dual-Tower RTO offers a high heat recovery rate during operation of 95% or higher with minimum energy usage.

- VOC treatment efficiency of 98% or higher
- Space-saving/cost-saving

Heat storage alternates with heat release repeatedly in the two heat storage towers and efficiently performs oxidative decomposition of VOC.

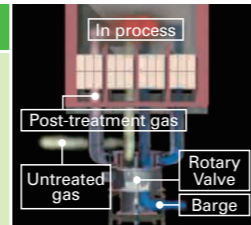


Rotary-type

Introduction of rotary valves eliminated emissions of untreated exhaust gas and bad odors and further improved the VOC treatment efficiency.

- VOC treatment efficiency of 99% or higher
- Reduction in pressure fluctuation of exhaust air duct

Untreated gas will be introduced from the opening of the rotary valve to the combustion chamber and decomposed completely.



Column

Efforts for Reducing the Cost of High-Performance VOC exhaust-gas treatment devices

Production of heat storage-type direct fired regenerative thermal oxidizer (RTO) (China)



Exterior appearance of RTO



Internal parts such as rotary valves

Inquiries regarding exhaust emissions treatment systems have been increasing in recent years amid worsening air pollution problems in foreign countries, and the supply of lower-cost exhaust gas treatment devices is required.

Under the guidance of Taikisha Ltd., production of a high-performance rotary-type RTO, including internal parts, started at its subcontractor in China, enabling provision of high-performance exhaust-gas treatment devices at lower costs.

Deployment of VOC Exhaust-Gas Treatment Devices in China

In China, the escalation of air pollution, caused by PM2.5 and other environmentally hazardous substances, has become a social problem mainly in urban areas. The Chinese government is revising laws and taxation systems and strengthening penalties for violators, with the aim of stepping up environmental protection activities.

As for emission standards that regulate the emissions of environmental pollutants from plants, etc., provincial standards take priority over other emission standards. Therefore, local governments assume responsibility for the quality of the environment in each administrative district. As a result, there is increasing interest among persons concerned in the environmental protection department of local governments regarding Japan's advanced VOC control measures and experiences.

Under such environment, Taikisha quickly improved and expanded its existing supply system, and started production in China of exhaust-gas treatment devices, which it had previously been producing in Japan. In addition, Taikisha has been highly acclaimed for its track record of delivering exhaust-gas treatment devices in various parts in China and the high VOC treatment efficiency of its systems. As a result, inquiries regarding Taikisha's VOC exhaust-gas treatment devices have been increasing rapidly not only from Japanese companies in China but also from local companies. The number of sales contracts signed and the number of delivery of devices have also been increasing.

Taikisha will further improve its services in terms of construction period to delivery and costs and meet various needs of customers without being satisfied with the present situation, and contribute to solving environmental issues in China.

Track record of construction in China



Shanghai, Jiangsu Province area (total of 30 units)



Column

Participated in events for VOC control technologies organized by the Environmental Protection Bureau of Shandong Province and Jiangsu Province in China



Shandong Province VOC Control Seminar

Taikisha participated in Shandong Province VOC Control Seminar, organized by the Environmental Protection Bureau of Shandong Province and Japan International Cooperation Agency (JICA), and The International Summit of New Environmental Protection Technology 2017, organized by the Environmental Protection Bureau of Jiangsu Province, and introduced the Taikisha Group's business areas, VOC emissions treatment technologies, and track records in Japan and China.

As a result, Taikisha received a lot of feedback from officials at the local environmental protection bureau and companies which



The International Summit of New Environmental Protection Technology 2017

are considering introducing VOC exhaust-gas treatment devices. In addition, Taikisha was able to help deepen mutual understanding about VOC control measures between Japan and China through exchange of opinions on experiences and technologies in Japan and China.

Taikisha will continue to actively conduct technology exchanges with environmental protection bureau officials in China, and help solve the air pollution problem in China through VOC exhaust-gas treatment devices.

Recycling-Oriented Society

Taikisha disposes of waste appropriately for effective use of limited resources.



Industrial Waste Disposal and Recycling

Among the industrial wastes generated at sites where Taikisha performs construction work as the main contractor, Taikisha encourages 4R* activities whereby wastes are collected in a classified manner for recycling so that landfill at final disposal sites is reduced and the amount of mixed waste is curbed.

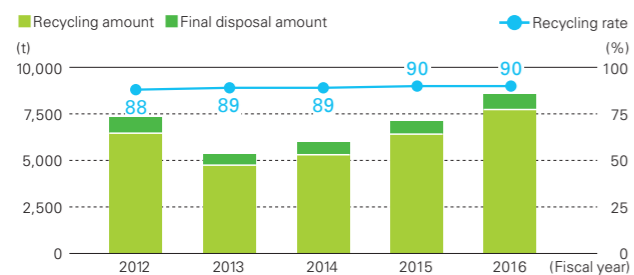
The disposed industrial waste is sorted into the categories of recycling and final disposal for landfill. The recycled resources are indicated as a recycling rate.

* 4R: Refuse (eliminating waste in resource use); Reduce (reducing waste); Reuse (reusing waste); Recycle (recycling waste)

Main efforts for recycling

Recycling of work uniforms	Recycling of heat shield materials
Recycling of helmets	Recycling of specified equipment

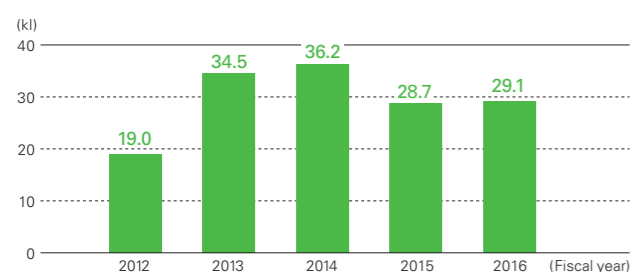
Industrial waste disposal amount and recycling rate



Collection and Management of Hazardous Substances

Taikisha uses Hazardous Substances Collection Control Sheets to manage collection and suitable disposal of hazardous substances (lithium bromide, etc.) generated during renovation work or other projects. Taikisha carries it out from the design and construction stage upon confirming whether there are any of the substances with its Design Policy Plan and Site Environment Control Plan.

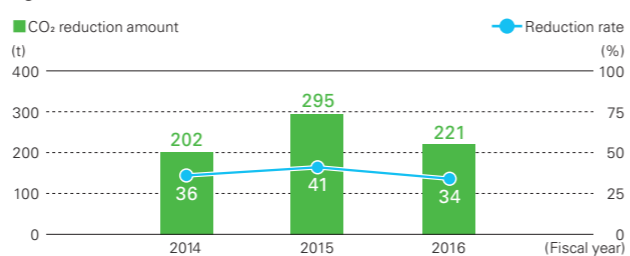
Amount of hazardous substances collected (collection rate: 100%)



Reduction of Waste Generation

Taikisha draws up a plan for reducing waste generation in the site environmental control plan created at construction sites and incorporates such plan into construction plans and drawings. In performing construction works, implemented measures and the reduced amount of waste are calculated, and good improvement cases are updated on the internal document database and shared across the company. Taikisha is reducing CO₂ production by making efforts for preventing waste generation and planning and implementing construction methods and measures, enabling reduction of waste generation.

The amount and rate of CO₂ reduction achieved by curbing waste generation



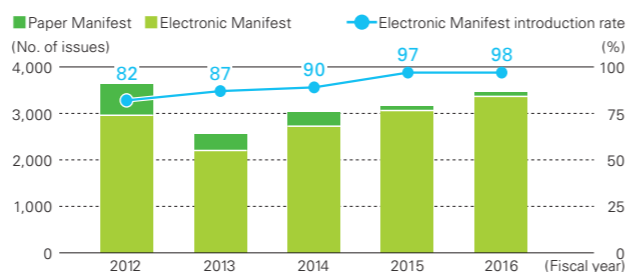
Suitable Waste Management

All projects in which the main contractor is Taikisha are listed up and the waste disposal status is monitored to ensure the waste is treated suitably.

Also, local government permit information on all industrial waste disposal agencies with which Taikisha has contracts to be collected, listed, and regularly updated on its internal database, and Taikisha develops and manages a scheme whereby contracts are concluded only with the listed agencies.

Taikisha has introduced the Electronic Manifest scheme, which has been promoted by the Ministry of the Environment since 2009 with the purpose of ensuring suitable disposal of industrial wastes. Taikisha's current introduction rate is 98%.

No. of Manifest issues / Electronic Manifest introduction rate



Management of Chemical Substances

Taikisha thoroughly manages chemical substances to reduce environmental impacts.



Efforts for Chemical Substance Management

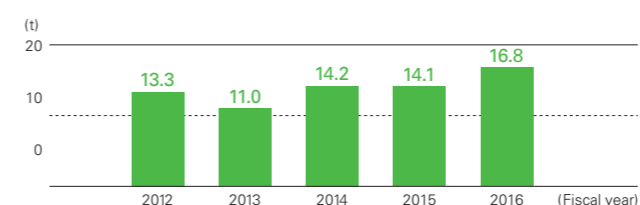
Taikisha manages chemical substances handled in construction sites by creating a Design Policy Plan and Site Environment Control Plan. It then confirms and checks whether there are related substances in the design and construction phases of each project based on the Environmental Impact Assessment Sheets.

The Research and Development Center confirms and checks chemical substances to be handled in the stage of creating the Development Plan for each research and development item.

Efforts for Freon Management

In compliance with the Fluorocarbons Recovery and Destruction Law, each business office creates Freon Collection Control Sheets and manages the status of filling, collection, and suitable disposal of Freon (process management system). When conducting Freon collection work, Taikisha draws up Freon collection plans and procedures and endeavors to prevent Freon leaks and other accidents.

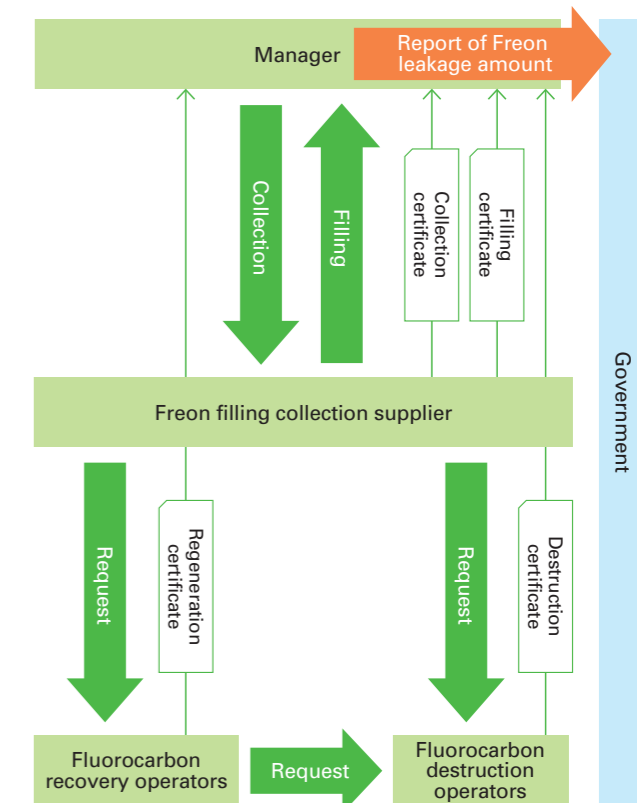
Freon collection amount (collection rate: 100%)



Flow diagram of Freon management

(Implementation items)

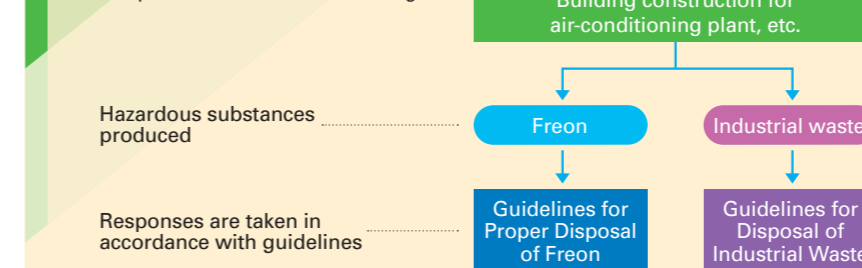
- (1) Appropriate installation of equipment, maintenance and management of appropriate usage environment
- (2) Regular inspection of equipment
- (3) Handling leaks of fluorocarbons
- (4) Keeping and filing records relating to equipment maintenance



Column

Employee Education on Recycling-Oriented Society and Responses to Chemical Substances

Example of theme covered in training



The Environmental Protection Committee and Engineering Supervisory Dept. drew up the Guidelines for Proper Disposal of Freon and the Guidelines for Disposal of Industrial Waste. The Environmental Protection Committee members of each branch office took the lead in providing education on those guidelines to all engineering employees to widely disseminate the environment consideration and compliance items.

Green Procurement

Taikisha is helping to reduce environmental impact through procurement activities conducted based on its own guidelines.



Green Procurement Policy

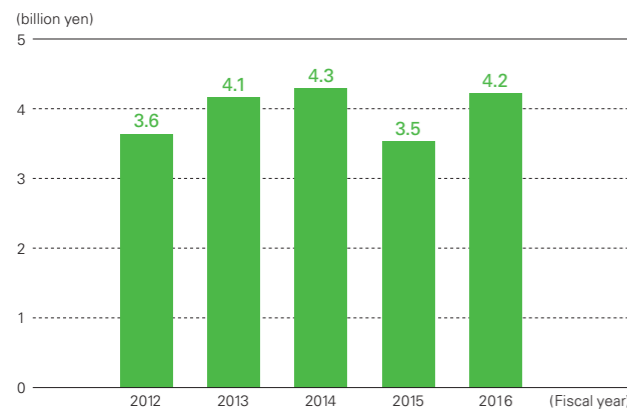
To lead the green procurement described in Environmental Management Vision, Taikisha strives for preferential procurement and selection of new equipment, systems, working methods and technologies to help reduce environmental impact in business activities (design and construction). Taikisha has determined green procurement items based on its own standards, and grasps the results of procurement and conducts periodic reviews on these green procurement items.

Judging Criteria for the Green Procurement Items

Decision on whether or not items are acceptable as green procurement items shall be made after a comprehensive evaluation. This is based on how they contribute to reduction of the impacts on the environment compared to conventional products with equivalent functions. Evaluation criteria are as follows:

- 1 Less impact on the environment when equipment and materials are manufactured or operated (for consumption of energy and resources, etc.)
- 2 Use of recycled resources for production materials
- 3 Less impact on the environment during construction (for waste generation, noise, vibration, etc.)
- 4 Less impact on the environment during operation (for energy consumption, emission of harmful substances, etc.)
- 5 Long life expectancy (durability, easy renewal and conversion, etc.)
- 6 Easy recycling after disposal
- 7 Easy processing after disposal (easy processing, whether or not it contains harmful substances, etc.)

Performance in Green Procurement



Adoption of Carbon Offset Products

Taikisha selects office supplies for its construction site offices from among the carbon offset applicable items so that Taikisha can help reduce environmental impacts. For example, Taikisha has adopted goods with carbon offset credits attached, provided by Yamanashi Prefecture under the Yamanashi Prefecture Project to Combat Global Warming by Forest Utilization, in an effort to promote procurement with consideration to conserving forest ecosystems.



Larch forest of Mt. Yatsugatake (Yamanashi Prefecture)

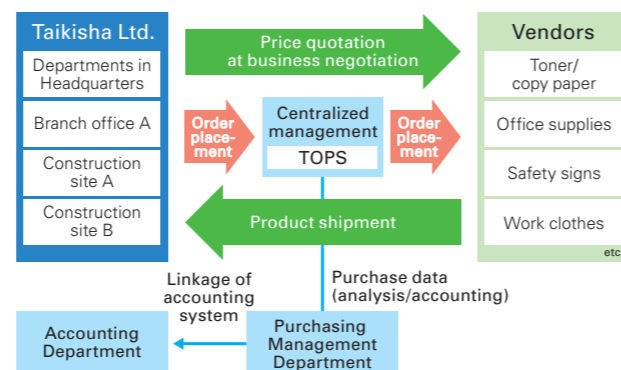


Carbon Offset Certification of a project

Promotion of Paperless Operations with Online Purchasing System

Taikisha has been promoting the use of TOPS, its online purchasing system for indirect materials. Users access the TOPS website to purchase various office supplies, ranging from daily necessities and office stationery to work clothes and safety-related products necessary at construction sites. The use of TOPS eliminates the need for processing individual purchase invoices, and, by linking the online purchase system to the accounting system, drastically reduces the number of account slips used for payment, promoting paperless operations. During FY2016, the total value of online purchase amounted to 69.493 million yen and the ratio of paperless operations was 85.9%.

System flow diagram



Material Flow Diagram

Taikisha quantitatively grasps the overall picture of the environmental impacts associated with business operations to lead efforts for reducing environmental impacts.



INPUT

Business activities in the office	
• Power consumption	2,883,202 kWh (146 kWh/m ²)
• City gas	80,767 m ³
• Amount of water used	10,630 m ³
• Amount of copy paper purchased (units of A4-equivalent paper)	8,921 sheets/person

Construction	
Amount of main materials for building air-conditioning systems*1	
• Total cooling capacity of air-conditioning equipment	142,552 kW
• Total area of duct	543,843 m ²
• Total volume of pipework	3,602 t

OUTPUT

Office	Promotion of resource-saving activities in office	• General waste generated	76.3 t
Design	Energy-saving design at the design stage	• CO ₂ emission reductions at the stage of customers' operations	
		• Proposed CO ₂ emission reductions in in-house design projects (85 proposals for CO ₂ emission reductions; rate of CO ₂ reductions: 29.2%)	-63,158 t-CO ₂ /year
		• CO ₂ emission reductions from paint facilities*3	-79.5 kg-CO ₂ /unit

Procurement	Energy-saving activities during procurement	• Scope 3: Category 4 Upstream transportation and delivery	24,375 t-CO ₂
	Promotion of green procurement		

Construction	Promotion of resource recycling at construction sites	• Industrial waste generated*2	8,586 t
	Ensuring thorough Freon recovery	• Amount of Freon recovered*2 (collection rate: 100%)	16.8 t
	Ensuring thorough recovery of hazardous substances	• Amount of hazardous substances (lithium bromide, etc.) recovered*2 (collection rate: 100%)	29.1 kl
	Ensuring thorough reducing VOC emissions	• Reduction of VOC emissions at the stage of customers' operations	-5,500 t/year*4
	Energy-saving activities at the construction stage	• Amount of CO ₂ reductions through resource-saving activities at the construction stage (due to improvement of construction method, such as introduction of prefabrication technique; CO ₂ reduction rate: 34%)	-221 t

Use of products	Energy-saving activities during the operation phase of sold products	• Scope 3/Category 11 Use of sold products	3,434,618 t-CO ₂
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*1. Projects that meet certain requirements are applicable.
 *2. All projects are applicable (projects where Taikisha performs construction work as the main contractor).
 *3. CO₂ emissions were calculated by using a calculation model for automobile paint lines (assuming the annual production capacity of 240,000 units in Japan).
 *4. Including overseas operations.

Contributions to Society

Taikisha is promoting business activities that meet the expectations of stakeholders to widely win the trust of society.



Initiatives for Industrial Health and Safety

Taikisha aims to build a more comfortable working environment by placing the utmost priority on safety.



Basic Principles of Industrial Health and Safety

Based on an understanding of the importance of human life as its basic principle, Taikisha thoroughly implements safety-first planning and construction and fulfills its social responsibilities as a company in the construction industry out of respect for the law. Taikisha aims to protect the health and lives of employees and workers and makes efforts to build a more comfortable working environment.

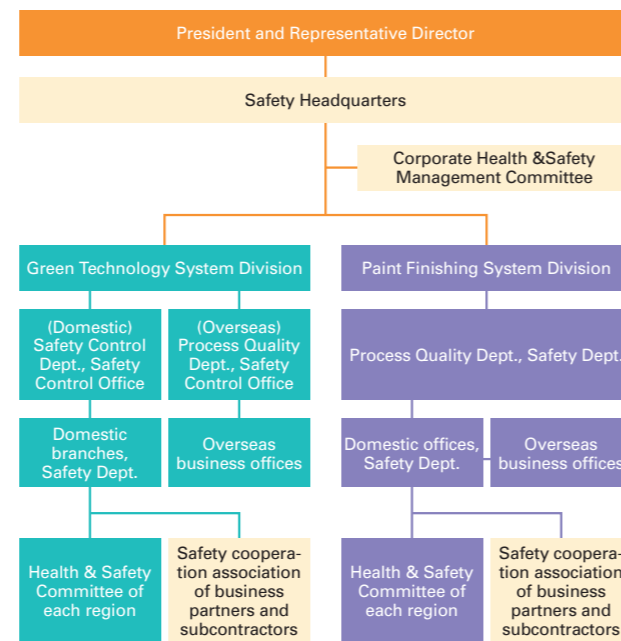
System for Health and Safety Management

Taikisha has established its own Taikisha Occupational Health & Safety Management System with respect for human lives and a law-abiding spirit as its basic principle. Taikisha has established the Safety Headquarters in its Headquarters and the Safety Control Department in business divisions, and they support safety activities of Branch Offices and Offices while supervising and managing industrial safety of the entire group. To enhance its employees' knowledge and awareness of safety and to prevent the occurrence of similar industrial accidents of construction sites, Taikisha has made information and improvement techniques relating to safety management available and known to all employees on the Internal Safety Website. Engineering employees receive a Morning Safety Information E-mail every day, which is designed to give information about safety activities and help with day-to-day safety work.

In addition, a safety patrol is conducted by employees of each job ranking of cross-functional departments to confirm that day-to-day work at construction sites is carried out safely and surely. At branch offices and offices, information about problems and measures to deal with problems at construction

sites are shared through the Health & Safety Committee meeting held monthly. Moreover, Taikisha maintains a safety management system that ensures safety activities in the entire Company through measures, such as safety audits by the Headquarters and Divisions and efforts in the Corporate Health & Safety Management Committee.

•Diagram of the System for Health & Safety Management



Taikisha measures and monitors results of safety activities by using a frequency rate that indicates the frequency of industrial accidents and a severity rate that indicates the severity of accidents as safety indicators. Taikisha has maintained zero fatal and serious industrial accidents for over 10 years.

Transition in Safety Activity Results

The results of safety activities at Taikisha have undergone the following transition.

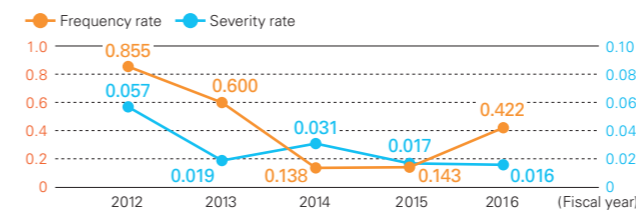
Frequency rate	Severity rate
$\frac{\text{Number of casualties}}{\text{Number of working hours}} \times 1,000,000$	$\frac{\text{Number of lost working days}}{\text{Number of working hours}} \times 1,000$

Number of casualties: The number of employees and workers who suffered job-related fatal injuries or injuries and illnesses requiring four or more days of lost worktime

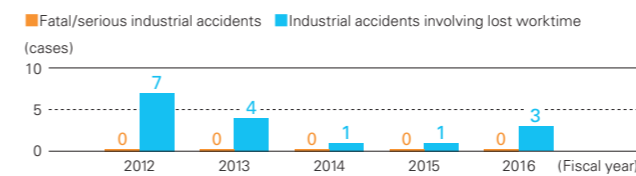
The Number of lost working days: The number of days of absence from work of all injured employees and workers (who were absent from work for one or more days)

The Number of working hours: The total number of working hours of employees and workers of subcontractors involved in work at construction sites (excluding injuries, illnesses or loss of life due to accidents during commuting)

•Safety results in Japan



•Number of industrial accidents occurred in Japan



Efforts for Improvement of Industrial Health & Safety Management in Overseas Business Offices

There has recently been an increasing difference in the levels of industrial safety & health management among business offices due to differences in safety requirements in each country. In addition, Taikisha has had safety management issues with the increase in employees of diverse nationalities.

In order to solve such issues, Taikisha introduced

the Occupational Health & Safety Management System ("OHSMS") in eight main overseas business offices, and is conducting safety activities in the entire organization to maintain and improve industrial health and safety levels. Specifically, Taikisha invites national staff of overseas business offices to Japan and provides periodic safety education to enhance their safety management capabilities. Taikisha also conducts safety patrols in the Headquarters to check the status of health and safety management activities at construction sites and give guidance.

Overseas Safety Audit

Under the recognition that it is of paramount importance for overseas business offices to carry out high levels of safety activities autonomously, the Headquarters conduct safety audits on items which are difficult to be detected by external audits or internal audits, such as whether OHSMS has lost substance or not and the safety awareness levels of national staff are maintained.

Safety Training by Inviting National Staff

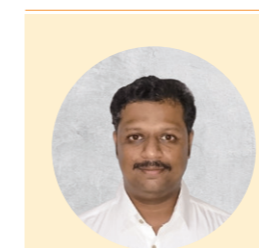
In order to improve the safety activity levels of business offices overseas, Taikisha invites staff members from the safety department and construction department of each country to Japan every year to provide various education and training programs.

(Safety education items for staff members of overseas business offices)

- (1) Safety activity guidance
- (2) Presentation of safety activities of each country
- (3) Group discussion
- (4) Safety patrol training
- (5) Crisis experience training
- (6) Education on various safety management capabilities
- (7) Opinion exchange meeting, etc.



Voice



Mr. R. Kalicharan
Manager, Safety Dept.
Taikisha (Singapore)
Pte. Ltd.

Workplace Health and Safety Campaign in Singapore

Vision Zero is a safety promotion campaign based on the Workplace Health and Safety Act in Singapore. Nothing is more important than human life. In order to achieve Vision Zero, it is essential that all companies share their roles and responsibilities with all stakeholders, including management executives, workers, subcontractors, and the government.

We at Taikisha (Singapore) Pte. Ltd. are working to achieve Vision Zero along with other companies in the construction industry in Singapore. The aim of our activities is to spread the idea among workers at construction sites that occupational injuries and illnesses are avoidable and having no accidents is an attainable goal. That is absolutely necessary for improving the quality of our lives.

Vision Zero can be achieved by implementing the following steps in a repeated cycle.

- I. Build a favorable relationship with stakeholders;
- II. Set a goal;
- III. Share the goal;
- IV. Identify health and safety issues in the workplace;
- V. Constantly consider solutions to the identified issues; and
- VI. Check status of progress and continue to monitor

For a company, paying utmost attention to health and safety in the workplace is synonymous with fulfilling social responsibilities, and will have a positive impact on the growth of the company. We will continue to make efforts for excellent safety behavior.

Initiatives for Quality Improvement

Taikisha is continuously working on quality improvement to gain high reputation and trust.



Basic Policy of the Green Technology System Division

The Green Technology System Division has established the basic principle of quality policy: "We will continuously work on business process management and improvement amid changing social requirements and under the quality management system, aiming to achieve product quality that is free from Muda (wasteful), Mura (inconsistent) and Muri (unreasonable)." In addition, it has set out action guidelines for each of the following five business processes and is conducting quality improvement activities.

- 1 Sales quality improvement
- 2 Design quality improvement
- 3 Improvement of construction process quality
- 4 Improvement of purchase process quality
- 5 Improvement of technology development quality

Basic Policy of the Paint Finishing System Division

The Paint Finishing System Division has set out the following three quality policy initiatives based on the basic principle of the quality policy: "We will continue to provide paint systems that meet customers' needs and expectations to gain trust from clients and high reputation from society." In addition, it has created a checklist of the Quality Control (QC) Follow-up Sheet and is promoting quality control projects.

- 1 Provide eco-friendly paint systems.
- 2 Strive to improve technology, maintain and improve design quality, and enhance construction quality.
- 3 Increase productivity as a result of the above to reduce costs and meet customers' quality requirements.

Main Activities in FY2016

The persons responsible at the sales, design, safety, quality, purchase, and construction divisions worked together in the review meeting before commencement of project to identify risks regarding defective work in construction projects or legal violation. In addition, they take up the following six important quality control issues, and check if they are incorporated in construction plans and implemented during on-site patrols and project completion report meeting.

- 1 Prevention of water leakage in important functional room
- 2 Prevention of cross connection
- 3 Prevention of oil, chemical solution, and waste liquid
- 4 Prevention of lack of smoke exhaust air flow
- 5 Prevention of frozen coil
- 6 Prevention of stoppage of production line or existing facilities

Improvement Activities

Taikisha is making continuous improvements in the quality management system by running the PDCA cycle in order to provide facilities that satisfy customers by meeting customer requirements. As an example of the cycle, each division develops a database of proposals to customers and findings, and promotes standardization of such items and verifies the appropriateness of design and construction. Each division also provides training mainly to younger employees on how to handle applicable equipment.

Strengthen the Design and Construction Process by Cross-Functional Departments

The Green Technology System Division extracts technical issues and develops measures at each level of the Design Policy Reviews Meeting and Construction Policy Review Meeting, in order to manage design and construction processes. In addition, information on the status of resolving extracted technical issues is exchanged once a month through cooperation between the Headquarters and cross-functional departments working across branches, and confirmation and follow-up activities are carried out until the relevant issues are resolved.

Efforts for Information Sharing Regarding Quality

Information on basic technologies and defects regarding quality is posted on the operation support system to make it available for employees to view at all times. In addition, standardization materials for preventing recurrence of defects are created and also posted on the operation support system. Moreover, employee training is provided regularly to promote information sharing.

Construction Quality Inspection at Construction Sites

A construction quality inspection at construction sites is conducted in stages: self-inspection by subcontractors, self-inspection by site offices, and quality inspection by the Engineering Dept. and Quality Control Dept. A quality inspection is carried out prior to, during and after completion of construction. The status of correction of defects is checked periodically based on inspection records, and confirmation and follow-up on the status of correction are carried out until correction is completed.

Efforts for Quality Improvement at Overseas Business Offices

In order to improve the quality of overseas projects, Taikisha identifies priority projects and discusses their quality issues at the Design Examination Meeting and the Construction Review Meeting, and follows up on the projects to resolution of issues at regular meetings. Information on defects generated at each business office is collected by the department in charge, and such information is shared at the overseas Engineering Department Manager Meeting held three times a year. In order to enhance the skill of national staff, the department in charge provides technical training to staff members of the Engineering Department at construction sites of each business office.



Trainings at overseas business offices
(to the left: Ho Chi Minh; on the upper right: Hanoi)

Column

Award of Excellence given to the Uchisaiwaicho 2-Chome Project Team in recognition of operational improvement effect

In October 2016, Kajima Corporation held its national convention of subcontractors' operational improvements, and Taikisha's Uchisaiwaicho 2-Chome Project Team was given the Award of Excellence.

This event has been held jointly by Kajima Corporation and its subcontractors since 1981, for the purpose of improving construction management levels and reforming corporate structure



Load-lifting work for condensing unit

Voice



Satoshi Shiozaki
Manager, Quality Control Section
Green Technology System Division
Kyushu Branch Office

Working toward improving construction quality by sharing remedial measures

I am in charge of quality inspection of ongoing construction projects and activities to prevent complaints. We identified priority quality items and deployed measures to prevent quality defects and remedial techniques across the branch office. As a result, in FY2016, we succeeded in reducing the number of quality complaints considerably from the level five years ago. I believe the important thing is to take responsibility for our work and behavior and win the trust of our family members, colleagues, customers, and subcontractors. We will continue to put all our efforts into improving construction quality by sharing cases and remedial measures with relevant divisions and subcontractors.

through operational improvement activities. In 2016, 48 projects, chosen from more than 200 applications, were presented at the national convention. The presentation theme of the Uchisaiwaicho 2-Chome Project Team was "Challenge of Building Industry's Largest Condensing Unit Over 10m in Height". Taikisha received a contract for installing 200 condensing units for building multi-unit HVAC systems on the roof of the building. Taikisha adopted a unit construction method by which steel support for the HVAC system, condensing unit, and refrigerant rack, etc. are combined into one unit in its factory before delivery to the construction site. The unit system was hauled up onto the roof of the building by a tower crane. As a result, Taikisha was able to carry out the construction work safely and efficiently.

The adoption of the unit construction method enabled Taikisha to reduce the number of load-lifting steps needed, which is 230 times or more with the conventional method, by 94% and construction period by more than one week. In addition, the amount of refrigerant pipework was also reduced by about 40%. Taikisha received the award in recognition of the significant operational effect achieved through this new construction method. Taikisha will continue to make efforts for operational improvement and raise the level of construction management.

[Respect for Human Rights and Development of Human Resources]

Labor Practices

Taikisha is striving to build an attractive and motivation-oriented company.



Basic Policy on Human Rights

For Taikisha, respect for human rights is one of the top priorities as a company operating globally. In line with this policy, the "Taikisha Ltd. Code of Conduct" stipulates respect for basic human rights and says we shall not engage in behavior that would undermine individual dignity, such as discriminatory treatment and harassment. Taikisha respects international legal norms, such as the Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and Guiding Principles on Business and Human Rights. Taikisha endeavors to conduct business activities with consideration to human rights of all stakeholders, including employees and business partners.

Taikisha makes its policy regarding human rights known to all employees. In addition, it makes efforts to grasp conduct that goes against human rights through internal audits and the whistle-blowing hotline, and promptly takes appropriate responses.

Taikisha Ltd. Code of Conduct (abstract)

- I. Principles of behavior
3. We act prioritizing contribution to stockholders, customers and the society; and give proper consideration to employee rights
- II. Standards of ethical conduct
1. Respect for basic human rights and maintenance of sound workplace environment
- (1) We respect basic human rights in corporate activities, and do not discriminate against any employee based on her/his race, religion, creed, origin, sex, disability, physical characteristics, age or other attributes that are not related to the business of our company.
- (2) We prohibit sexual and other harassment using hierarchical relationships or superiority of position, regardless that such harassment is intentional or not.

Corporate Culture Committee

The Corporate Culture Committee was set up in 1975 with the aim of creating an organizational culture that provides material and spiritual job satisfaction based on the spirit of mutual trust and cooperation among all employees. In this committee, the employees broadly exchange opinions about operational improvements or organizational revisions while researching, discussing, and planning in cooperation with related divisions. In addition, it acts as a labor representative in labor and management discussions. It can voice its opinions to a corresponding planning division if any important changes are made in the schemes related to employment treatment, such as labor regulations and others.

Employee Data

Item		2015	2016	2017	
Number of employees (as of March 31)	Non-consolidated	Male	1,327	1,334	1,290
		Female	148	150	156
	Total	1,475	1,484	1,446	
Consolidated		4,795	4,892	4,702	
Average length of service (years)	Non-consolidated	18.4	18.6	18.3	
Number of non-regular employees (as of March 31)	Temporary employees	74	84	86	
	Contract employees	88	77	82	
	Total	162	161	168	
Number of newly employed employees (from April 1 of the previous year to March 31 of the relevant year)	New graduates	Male	32	38	40
		Female	1	2	4
	Total	33	40	44	
Mid-career employment	Male	Male	12	17	17
		Female	8	5	5
	Total	20	22	22	
Number of new graduates retained	35 (newly employed in 2012)		38 (newly employed in 2013)	33 (newly employed in 2014)	
	31 (as of 2015)		34 (as of 2016)	26 (as of 2017)	
	Retention rate of new graduates (%)		88.6	89.5	78.8
Number of employees who left their job (from April 1 of the previous year to March 31 of the relevant year)	Mandatory retirement	25	21	19	
	Retirement for	29	27	23	
	Total	54	48	42	
Number of re-employed employees after mandatory retirement		98	106	89	
Rate of re-employment after mandatory retirement (%)		86.7	86.8	94.4	
Employment rate of persons with disabilities (%)		2.22	2.18	1.99	

Harassment Prevention

Taikisha has a specialized consultation counter for sexual harassment while other types of harassment are handled through internal and external reporting counters. The informer is protected by Taikisha's Whistleblowing Rules and other similar rules. As soon as a matter is reported for consultation,

Taikisha takes quick actions to resolve it. Taikisha offers enlightenment activities to make people aware of the need for countermeasures and the significance of preventing and resolving issues.

Basic Policy for Human Resource Development

Taikisha is an engineering company, and its best asset is its human resources. Human resource development and education is positioned as one of the most important management challenges.

There is a lineup of training schemes available in Taikisha to enhance its members' skills in managing projects and teams and communicating with customers, business partners, supervisors, colleagues, and subordinates in addition to improving the expertise of the individual employees. The training programs have been extended with additional allowed time for each employee to join group training and the divisions have also participated in operating the programs as Taikisha aims for its goals.

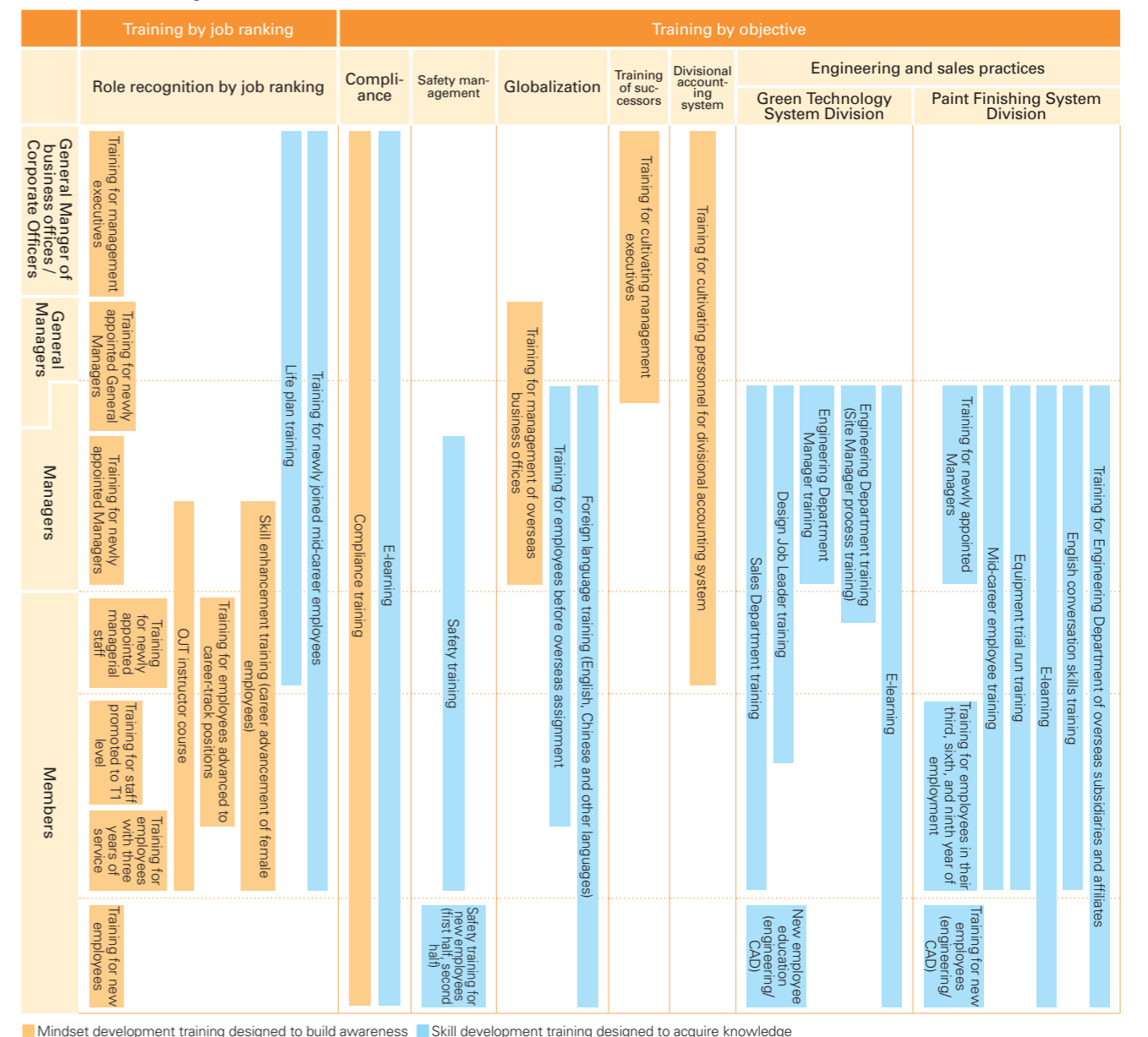
Taikisha aims to develop self-motivated human resources and train "professionals" at an early stage.

Human Development Vision

1. Develop human resources with high morals
 - They are able to conduct fair and just business activities using global perspectives while observing the norms of society, regulations and laws, and rules
2. Develop human resources who are capable of achieving goals and realizing the visions of organizations and individuals through their work
 - They are highly creative
 - They are cooperative and logical through their actions that are made based on mutual trust in principle
3. Develop human resources who flexibly respond to market changes
 - They are able to handle operations on a global scale
 - They are able to strive for business expansion

Hours of training per employee (training by job ranking, etc., excluding new employee education) | FY2015: 12 hours | FY2016: 13 hours

Education and Training Schemes



■ Mindset development training designed to build awareness ■ Skill development training designed to acquire knowledge

[Diversity of Human Resources and Work-Life Balance]

Labor Practices

Taikisha is striving to build a company that provides job satisfaction to its employees.



Global Human Resource System

Taikisha has introduced the Global Human Resource System for national staff by using the evaluation system that underpins Taikisha's corporate philosophy, the grade system that realizes global-based personnel assignments, and the rewarding system that encourages people to practice the spirit of "Customers First". These enable it to promise a stable living base for its employees and to provide consistent and high-quality services all around the world.

Taikisha started introducing the system in 2014. The group companies in India and Indonesia have already adopted the system, and the group company in Thailand is designing its details with implementation targeted for FY2018. Taikisha will expand the system to other countries.



Explanatory meeting on the Global Human Resource System (in Indonesia)

Just and Fair Assessment

Taikisha's personnel assessment is conducted based on the philosophies of fair and transparent operations.

In the performance evaluation, employees are assessed based on their abilities, motivation and conduct required for each employee and the degree of contribution to business performance. The results are given to employees as feedback, and this is expected to lead to enhanced human resource development.

At the beginning of the fiscal year, members and their supervisors are engaged in target setting through communication at meetings and other occasions. In addition, members conduct a monthly dialogue with their supervisors with the focus on the monthly PDCA cycle for the achievement of targets. In performing evaluations, Taikisha gives consideration to the abilities of individual employees as well as their performance results to lead to increased motivation of employees, and gives importance to stimulating employees' motivation and pride.

Basic Policy for Achievement of Diversity

For organizations and corporations, making efforts for diversity has become more important in recent years. Taikisha has various types of human resources with different characters regardless of race or gender. Sharing diverse perspectives and values helps an organization to respond to changing environments and needs while creating an attractive and comfortable work environment.

Taikisha considers that its approaches to diversity bring out enhanced human resources and increase their motivation for work.

Promoting Women's Career Advancement

As part of Taikisha's efforts for promoting diversity at the workplace, Taikisha is working hard for career advancement for its female employees. Taikisha believes all employees must be allowed to fully demonstrate their individuality and abilities to make Taikisha an attractive company.

Therefore, Taikisha will strive to further enhance training programs for higher skills and systems in order to create a better working environment for female employees and step up support for women's career advancement.

In FY2016, Taikisha implemented measures, such as reforming the short working hours system for childcare and providing a training program targeting female employees and their supervisors. This was part of the action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



Training Program for Promoting Women's Career Advancement

Basic Policy for Improvement of the Work-Life Balance

Taikisha considers that work supports our living base and provides inspiration and joy to our lives. But at the same time, time spent with family and friends and on hobbies is essential in our lives as well. When there is a good balance between them, the inspirations and joys are doubled and our lives are satisfying. A balance between work and life ensures, develops, and radicates high-level human resources that is the driving force and competitive power of Taikisha.

System to Support a Good Balance Between Work and Childcare/Nursing Care

As part of Taikisha's efforts toward improving the work-life balance of employees, it has introduced various holiday/leave benefit systems to help employees strike a balance between work and childcare/nursing care.

Childcare/Nursing Care Support System

Item	Taikisha Ltd.	Laws and regulations
Childcare leave	Until the child reaches two years old (maximum)	Until the child reaches one and a half years old
Short-working-hours system for childcare	Until the child finishes the third grade of elementary school (until March 31 of the applicable year)	Until the child reaches three years old
Nursing care leave	Employees may choose between taking nursing care leave on a set day of the week or irregularly.	

Status of Acquisition of Support System and Paid Leave

Item	FY2013	FY2014	FY2015	FY2016
Number of employees on maternity leave	6	6	5	4
Number of employees on childcare leave	5	6	9	7
Ratio of employees who returned to work after childcare leave (%)	100	100	100	100
Retention rate 12 months after returning to work (%)	80	67	100	100
Number of people who left their job within 12 months after returning to work	1	2	0	0
Number of employees who are using the short working-hours system	13	15	22	21
Average paid leave taken by all employees (days)	5.8	5.9	6.2	6.0

Example of Taikisha's holiday/leave benefits

- Compensatory consecutive days off after peak-time work: If the employee is still eligible to take compensatory days off after his/her peak-time work, he/she is allowed to take at least three consecutive days off as compensatory days off.
- Refreshing holidays for long-service employees: If employment has continued for over 25 years and the long-service employment award is given to the employee, he/she is allowed to take 15 days of paid leave in addition to his/her paid holidays.
- Utilization of remaining paid holidays: Employees who have unused and expired paid holidays over the last 10 years are entitled to use them for extended care and nursing care (unpaid under normal conditions).

Physical and Mental Health of Employees

Taikisha has set up the Taikisha Group Health Insurance Association. Health Counseling Dial 24, an online physical and mental health counseling service made available by the Health Insurance Association, provides speedy and appropriate support to help employees and their family members eliminate any concerns and worries about physical and mental health. This is done through counseling given by specialized counseling staff, who are experienced health nurses, nurses, registered dietitians, or doctors, 24 hours a day, 365 days a year. Concurrently with the introduction of the stress check system in accordance with the revised Industrial Health and Safety Act, Taikisha has established a setting for employees to monitor their mental state and cope with stresses. Taikisha will work to create a pleasant working environment based on the results of group analysis.

Mental Health Support

Prevention 1	Activities to protect the employees from mentally unwell conditions.
	Internal training to raise awareness of the employees.
Prevention 2	Measures to find problems at an early stage and take prompt and suitable actions.
	Suitable advice and instructions are given upon consultation or communication with the supervisors or the division leader of the person who is unwell. If needed, consultation is available for the employee.
Prevention 3	Measures to precisely learn and manage symptoms in order to prevent them from becoming worse.
	The Personnel Administration Department at the Administrative Management Headquarters immediately responds, follows and provides support until the employee can return to his/her work.

Voice



Momoko Higashimoto
Engineering Dept.
Osaka Branch Office

I enjoy a good balance between work and family.

I joined Taikisha in 2008 and engaged in construction management operations for large commercial facilities and served as Construction Manager for office building tenant occupancy at the Construction Dept. before taking maternity leave and childcare leave twice. I am currently working on a short-working-hours system in the On-Site Support Team, launched in the Osaka Branch Office. With my current work tasks, I am relatively less pressed for time and can put my experience to use. So, I believe my current work style can be a role model for female employees. Thanks to support from my family and the colleagues around me, I am leading very fulfilling days. The working environment surrounding women has changed following the enforcement of the Act on the Promotion of Women's Participation and Advancement in the Workplace. I am hoping that Japan will become a society in which women have an equal opportunity with men to advance in the workplace without such support systems in the future. With this my goal, I will do my best in my work and family.

[Efforts for Work Style Reform]

Labor Practices

Taikisha is striving to build a company that provides job satisfaction to its employees.



Toward Achievement of Work Style Reform

Taikisha is working on work style reform to promote health and improve the work-life balance of employees. Taikisha is endeavoring to reduce working hours while maintaining the quality of products and services and the safety level. As a short-term measure, Taikisha will set to work on improving on-site operations. Taikisha will make efforts to increase the workforce to reduce the workload of each employee. In addition, Taikisha will endeavor to improve the operation efficiency by working to outsource routine work at construction sites and to computerize operations through the introduction of tablet devices. As medium- and long-term measures, Taikisha will set skill enhancement education of employees as the most important theme and take measures including restructuring of the human resource system. For instance, Taikisha will consider introducing a system of valuing employees who have reduced their working hours.

(Measures to prevent long working hours)

Taikisha implements the following measures to prevent long working hours in order to increase the effectiveness of work style reform.

- Send out top management's messages on measures to prevent overwork
- Active promotion of no overtime day
- Provide visiting education on overwork
- Consider including measures to prevent overwork in assessment items of management-level personnel

- Grasp issues that lead to overwork for each model case at a construction site, call for remedial measures for such issues, and expand them across the Group.

Column

Inception of the Long Working Hours Prevention Meeting



Taikisha launched the Long Working Hours Prevention Meeting and is promoting company-wide activities focused on the problem of long working hours. Management executives, led by the

President, serve as the driving force behind the activities. In addition, the meeting is chaired by the Chief Executive of the Corporate Planning Headquarters, and the Corporate Culture Committee, which acts as a labor representative in labor and management discussions, is among members of the meeting.

The Long Working Hours Prevention Meeting meets once every two months and holds discussion on the policy and themes of activities. Concrete plans and implementation of measures are deployed across the Group by eight subcommittees, established for each activity theme (the head of each subcommittee is a member of the Long Working Hours Prevention Meeting). Taikisha will ensure it achieve results by running the PDCA cycle, such as by carrying out assessment and analysis of the status of activities on a quarterly basis to enhance the quality of activities.

Column

Geico S.p.A ranked sixth among the Best Workplaces in Italy



Geico S.p.A., an alliance partner of Taikisha, participated in the 2017 ranking of the Best Workplaces, conducted by Great Place To Work® Institute, an international consulting firm. Geico was placed as the sixth Best Workplace in the category of mid-sized workplaces (50–500 employees) targeting 122 companies in Italy. In addition, Geico was awarded the Work Space award. Geico considers human resources as the most valuable management resources. Geico is aiming at providing opportunities for employees

to continue achieving personal growth and build a corporate culture that allows it to keep growing as a company even in a tough business environment. That's why Geico has a training gym, a bistro area, and a theater on the premises to create a pleasant working environment from both soft and hard (personnel and infrastructure) aspects. Several services are offered to the employees, such as advanced medical checkups, psychological support and philosophical counseling, as well as training, not only on work-related topics, Teasing Fridays and social events. Geico will continue to focus its efforts on building a workplace that allows it to grow together with employees.



Relationships with Business Partners

Taikisha promotes procurement activities based on the principle of fairness and justice.



Basic Policy for Procurement

Taikisha conducts procurement activities in accordance with the following basic policy based on the principle of fairness and justice.

- Compliance with laws and regulations and the spirit thereof
- Reasonable selection of business partners and proper transactions therewith
- Management of confidential information
- Concern for resource protection and environmental conservation
- Promotion of trusting relationships with business partners

Business Partner Selection System

In order to conduct fair and just transactions, Taikisha has set a basic principle of asking more than one business partner to submit a quote. It then selects business partners based on the evaluation of purchase quality (specifications, performance, delivery time, price, etc.). Price negotiations are carried out based on reasonable grounds (past performance, etc.).

Management of Confidential Information

Taikisha strictly manages confidential information, personal information, and customer information in accordance with the Information Security Regulations. In order to prevent information leakage, Taikisha signs a written pledge on prevention of confidential information leakage to make business partners aware of this issue.

Coordination with Business Partners

In order to maintain favorable relationships with business partners, Taikisha holds a liaison workshop with business partners. There, we learn about revisions of laws and regulations related to business transactions, check points to keep in mind, and deepen mutual understanding about a work flow that accommodates changes in society. In FY2016, we held the liaison workshop once each in the Tokyo area and the Osaka area.



Exclusion of Anti-Social Forces

Taikisha ensures no anti-social forces are involved in its operations and refuses any request from anti-social forces according to the "Taikisha Ltd. Code of Conduct". Taikisha also forbids the employees from having any involvement with anti-social forces. In order to clarify the exclusion of anti-social forces in transactions with all business partners, Taikisha signs basic agreements and individual agreements with its business partners that include a clause to exclude anti-social forces. Taikisha signs transaction agreements with new business partners only after it has confirmed that they have no relation with anti-social forces.

Award of "Excellent Green Procurement Company"

Taikisha's Award of "Excellent Green Procurement Company" began in FY2011. It is designed to annually recognize the business partners for their contribution to green procurement and their proactive involvement in environmental activities to further promote green procurement activities. In selecting the award winners, Taikisha conducted an environmental activity survey on business partners, and selected an "Excellent Green Procurement Company" for FY2016 based on the results of the environmental management system (EMS) assessment.



Global Procurement Activities

Taikisha has introduced a centralized control system with procurement data on the overseas business offices to visualize the supply chain and optimize procurement. Taikisha periodically checks the status of execution of agreements with overseas business partners to ensure timely and appropriate fulfillment of agreements.

Contributions to Community

Taikisha is conducting activities to contribute to the community as a member of society (corporate citizen).



Basic Policy

Under Taikisha Management Vision, Taikisha positions the community and society as important stakeholders and proactively promote contributions to respect for and the development of culture and customs as well as participation in community and social contribution activities.

Taikisha is conducting various activities toward resolution of issues faced by communities and society and their development as a member of society (corporate citizen) that builds a favorable relationship with communities and society and coexists harmoniously with society.

Social Contributions

Hair Donation to Children Who Need Medical Wigs

Taikisha cooperates in the Hair Donation drive as part of its social contribution activities.

The Hair Donation drive is a campaign organized by the specified non-profit organization Japan Hair Donation & Charity (JHDAC). It gives custom-made wigs, made with donated hair, to children 18 years old or younger who need wigs in the treatment of diseases such as childhood cancer or who have hair loss due to congenital alopecia, etc.

The background behind this campaign is the reality that there are not enough medical wigs for children available. The aim of this campaign is to help children lead their everyday life with a positive frame of mind to allow them to focus on treatment.



On the left: Donated hair
On the right: Thank-you letters from JHDAC

Additional activities include:

- Donation to the Keidanren Nature Conservation Fund
- Donation to the Guide Dogs Training System of Japan Guide Dog Association
- Cooperation in Shinrai Shihon Zaidan's "Arigato-hon" (book donation) activities
- Co-hosting the Namaste India (Indian Culture Event)
- Collection of used stamps, unwanted mobile phones, Bell-Marks, foreign coins, used clothes, etc.
- Collection of unused items (stamps, prepaid telephone cards, gift vouchers, prepaid book vouchers)
- Blood donation, etc.

Community Contribution Activities

Participation in "Uchimizu (Water Sprinkling) Campaign 2016" in Shinjuku

On August 4, 2016, Taikisha participated in the Uchimizu Campaign 2016 that involved sprinkling water on the sidewalk along roadside trees in Nishi-Shinjuku. This event is organized by the Shinjuku CSR Network, and Taikisha joins in as a member.

It has been conducted annually since 2006. The aim of the Uchimizu Campaign is to lower the temperature in scorching Shinjuku via the cooling effect of sprinkling water to help curb global warming. In addition, the event is designed to strengthen the sense of unity between companies based in the Shinjuku area and expand the network with the local community by taking part in *uchimizu* with other participants.

The basic rule is not to use tap water for *uchimizu*. So, we are supposed to use not drinking water but groundwater for emergency situations with no health hazards.

The atmospheric temperature, which was at 28°C before water sprinkling, cooled down to 26°C after the activity.



Participation in the Cleaning Campaign for Hirosegawa River

Taikisha participated in the "23rd Hirosegawa River 10,000 People Project" on April 22, 2017, and cleaned the Hirosegawa River basin.

For the Hirosegawa River 10,000 People Project, citizens, companies, and local government cooperate in various activities to protect the natural environment of the Hirosegawa River, which is a symbol of Sendai, nicknamed "the City of Trees". The main activity of this project is a general cleanup of the Hirosegawa River basin.

This year, 1,349 persons, dispersed in six locations, took part in the activity and collected 175 bagfuls of garbage.



(Other activities of domestic business offices)

Tokyo Head Office: Participation in Shinjuku Year-End Cleaning Campaign

Osaka Branch Office: Regular cleaning activities around the Hirakata Factory

Nagoya Office: Support for reconstruction from the Great East Japan Earthquake

Initiatives in Overseas Business Offices

Cultivation of Crops on the Premises of Taikisha Engineering India Ltd.

As part of efforts for fulfilling social responsibility, Taikisha Engineering India Ltd. grows wheat on its premises located in the village of Kondhapuri in India once a year. It has sent all the wheat harvested to an orphanage called Anand Asylum since 2008. In 2017, about 300kg of wheat grains were donated.



Cleaning Activity in Japanese Cemetery Park

On August 13, 2016, employees of Taikisha (Singapore) Pte. Ltd. and their family members voluntarily cleaned the Japanese Cemetery Park.

This marked the sixth year of their participation in this activity. After the cleaning was completed, they offered flowers to the cenotaph and prayed for Japanese people who lost their lives in Singapore.



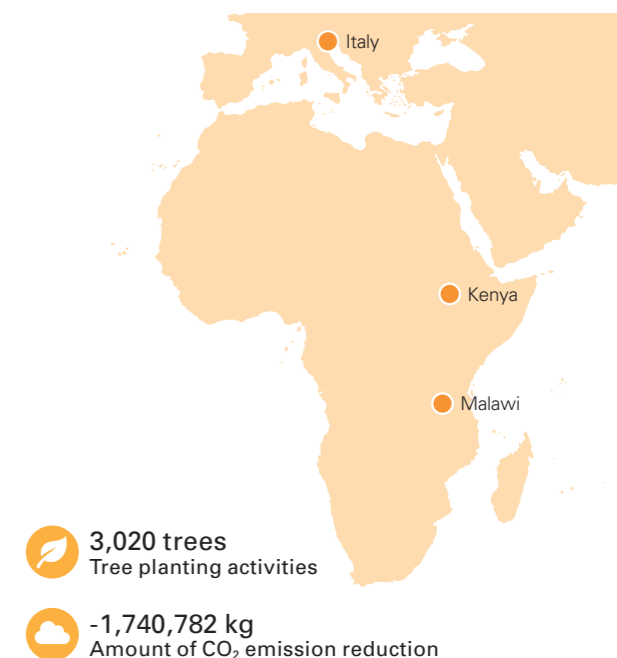
Participation by Geico S.p.A. in Treedom's Reforestation Project

Geico S.p.A., an alliance partner of Taikisha, considers contribution to the development of the local communities and environmental protection as important responsibilities and is conducting activities to that end. Geico sees CO₂ emissions as a "debt" to the environment and is carrying out tree-planting activities in Italy and Africa with the aim of "paying off" the debt. Geico has always carried out sustainable activities, such as the Pardis project started in 2005 with the aim of designing a self-sufficient plant and the Ecological Debt-Free Day in 2009, in which its employees participated in tree planting in order to compensate its use of paper. Since 2015, Geico has been promoting the tree-planting project in cooperation with Treedom*: Geico calculates CO₂ emissions produced by its employees' travels, and plants trees in a number equivalent to the CO₂ emission amount. Geico selected trees, such as fruit trees and trees in danger of extinction, in accordance with the needs of the local communities, and planted 800 trees in 2015, 720 in 2016 and 1,500 in 2017 in Italy and Kenya. Treedom's reforestation project, which Geico participates in, conducts activities mainly in areas that have various problems associated with poverty, such as high rates of unemployment and children's dropout rates. Tree-planting sites are mainly land plots confiscated from anti-social forces, such as the mafia. Proceeds from sales of agricultural produce harvested from the planted trees will be the income of local agricultural workers, and the economic benefits of the project will expand to processing of agricultural produce and the tourism industry, which will lead to job creation. Geico will continue to work to reduce CO₂ emissions, while supporting the economic base of the local communities and contribute to the sound development of the local society.



Tree planting activity by local agricultural workers

*Results of tree planting activity by Geico S.p.A. (cumulative results since 2015 as of November 2017)



*Treedom: An organization established in Florence, Italy, in 2010 to operate an online platform users can use to support reforestation projects. Treedom has planted more than 290,000 trees in Argentina, Cameroon, Haiti, Italy, and Kenya.

Involvement with Shareholders and Investors

Taikisha discloses financial data and management information to its shareholders and investors as a company with higher level of transparency.



Information Disclosure Policy

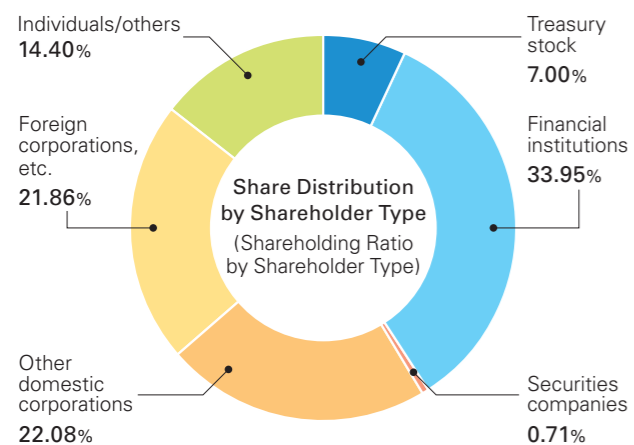
Taikisha promptly discloses important information regarding Taikisha based on the transparency, fairness, and consistency stated in the Taikisha Management Vision: "Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customers/business partners, shareholders, employees, communities/society and the global environment with transparency and integrity."

Basic Policy for Shareholder Returns

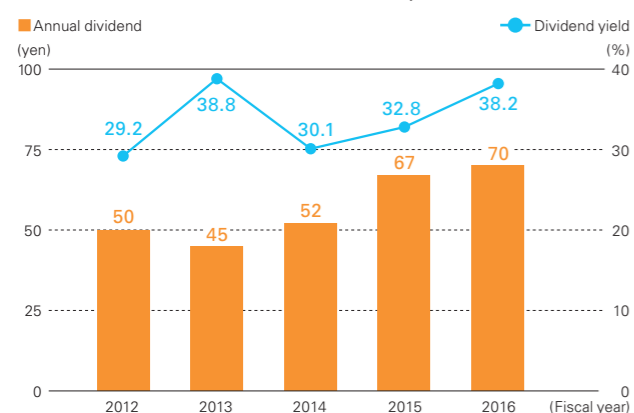
Taikisha considers providing shareholder return through dividend payouts to be one of the top-priority measures, and strives to pay stable dividends and to target a consolidated dividend payout ratio of 35%.

Stock information (as of March 31, 2017)

Number of shares authorized: 100 million (100,000,000)
 Number of shares issued: 36,782,009
 Number of shareholders: 3,235



Transition in annual dividend and dividend yield



IR Events

In addition to the Shareholders' Meeting in June, year-end and half-year financial result briefings are held in May and November. Also, company information sessions take place irregularly but several times a year for individual investors.

In FY2016, Taikisha held financial results briefings for 28 companies (42 participants) in May and for 30 companies (43 participants) in November. In addition, Taikisha participated in "IR Seminar for Individual Investors", co-hosted by Asahi Shimbun and Toyo Keizai Inc. in July.



IR event

Information Tools

There are publications that Taikisha distributes to its shareholders: Shareholder newsletter (issued in June and December) and Annual Reports (issued in August).

Taikisha's website has PDF files of the publications, as well as items disclosed at the Tokyo Stock Exchange such as earnings releases, financial results, quarterly reports, mid-term business plans, materials for earnings release conferences, and a Fact Book. The latest versions of these documents can also be downloaded together.

Taikisha's business details and history are introduced for its shareholders and investors.

External Evaluation

Taikisha's website is highly evaluated by external organizations. In the "Gomez IR Website Ranking 2016" by Morning Star K.K., Taikisha was given the Bronze Award overall and ranked second in the construction industry.

In the "2016 Website Quality Ranking in All Listed Companies" by Nikko Investor Relations, Taikisha received the Excellent Corporate Website Award (ranked second in the construction industry).



IR Website General Ranking
Bronze Rank
 October 2016 Gomez



Corporate Website
 Excellent Website Award
2016 Nikko IR Total Ranking

Third-Party Opinion



Mr. Toru Umeda

Professor, Faculty of Foreign Studies, the Former Director of Business Ethics and Compliance Research Center, Reitaku University

Important progress from last year's CSR Report I've noticed was determination of materiality. Materiality refers to matters/items based on which an organization has a significant impact on the economy, society, and environment, or has a substantive influence on the assessment and decision-making of stakeholders. By determining materiality, which has become standard practice for CSR information disclosure, Taikisha has taken a big step forward in publicizing its approach to CSR internally and externally. I hear that in the process of determining materiality, Taikisha provided an opportunity for organization members to examine what are important CSR issues for the company. After an adequacy assessment by management executives, ten items were selected. Of the ten items, four (industrial health and safety, employment and retention of employees, creation of pleasant working environment, and human resource development) are elements related to employees and workplace. I believe this will be conducive in making it widely known that Taikisha values its employees. On the other hand, I was slightly concerned that "responses to climate change", the biggest advantage of Taikisha, was not selected as having materiality. When I looked at the items selected as having materiality, "quality control" and "technological and product capabilities to meet customer requirements" have some overlap. That said, it's only a matter of how Taikisha categorizes issues. I think Taikisha

needs to figure out ways to explain an issue in association with another issue. For instance, "corruption prevention" can be explained as part of "promotion of compliance," and "responses to climate change" can be included in "efficient use of resources and energy". In this manner, I suggest Taikisha does some sorting of the details of items and their relevance to other items.

In the Environmental Management section, Taikisha introduced Environmental Accounting* from this year's CSR Report. With various environmental indices becoming available, interest in or attention to environmental accounting appears to be relatively declining. Nevertheless, Taikisha deserves high praise for clearly reporting the environmental protection cost and effects. In the Labor Practices section, Taikisha clarified its Basic Policy for Human Rights. "Business and Human Rights" is a topic that has been much debated internationally. It has become a non-negligible issue for a company operating globally. It is not enough to promote respect for human rights within an organization. Companies are now required to grasp the status of human rights in the supply chain. I hope that Taikisha will take action on this aspect from the next year onwards.

* Environmental accounting: A framework for companies and other organizations to identify the cost of environmental protection in business activities and the effects generated from environmental protection activities, measure such cost and effects quantitatively as much as possible (in currency terms or in quantity units), and make them known.

In Response to the Third-Party Opinion

Non-financial information, such as that on the environment, society, and corporate governance, is increasing in importance as a tool for measuring corporate value and medium- and long-term growth potential. In line with this trend, we determined and disclosed its materiality (material matters) from the CSR perspective this year for the first time, in an effort to achieve more comprehensive information disclosure and further strengthen CSR activities. We examined diverse CSR themes to decide which ones were to be prioritized, and clarified the importance of each theme as the common understanding of management executives. We still have a lot to learn about CSR, but we will explore appropriate ways to engage with various stakeholders by putting materiality to use and determining how we can improve our corporate value and activities.

We really appreciate Professor Umeda's comments on the overall aspect of the CSR Report and Mr. Takegahara of the Development Bank of Japan for his suggestions in particular on determination of materiality. It was an inspiring opportunity for us to receive advice from Professor Umeda and Mr. Takegahara who have profound knowledge of CSR. We would like to ask for candid advice and opinions from all our stakeholders.



Masanori Nakagawa
 In Charge of CSR
 Managing Corporate Officer



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