

Industrial Safety and Health

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



Basic Principles of Industrial Safety and Health

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.

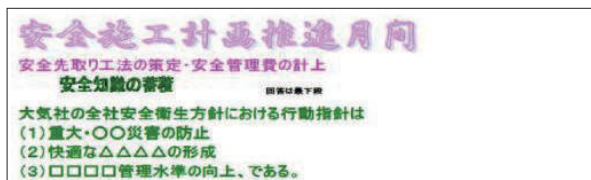
System for Health and Safety Management

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 at construction sites, Taikisha has accumulated information and improvement techniques relating to safety management and compiled such information in a database, and made the information available and known to all employees on the Internal Safety Website.

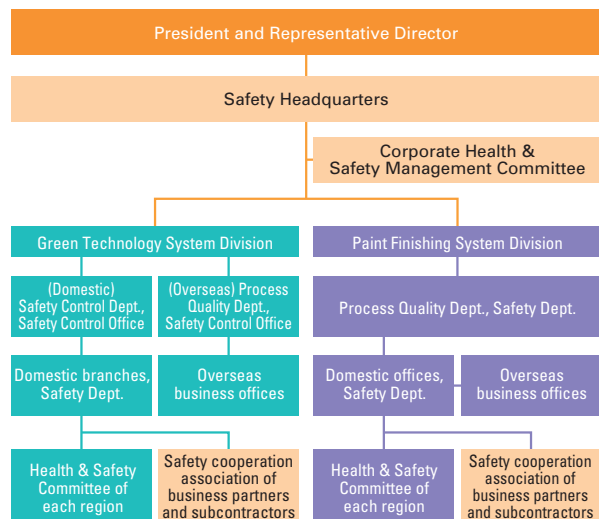
Engineering employees receive Morning Safety Information E-mail every day, which is designed to give information about safety activities and help with day-to-day safety work.

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.

- Morning Safety Information E-mail (i.e., notice of guidelines for safety and prevention measures for accidents)



• Diagram of the System for Health & Safety Management



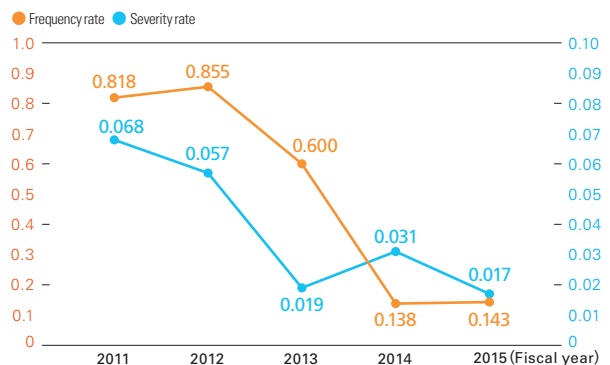
Management Indicator of Safety Activity Results

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.

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

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

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)



(Including the number of industrial accidents at subcontractors)

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. In addition, 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 audits and safety patrols in the Headquarters to check the status of health and safety management activities at construction sites and give guidance.

checked 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.



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 not



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)

- (i) Safety activity guidance
- (ii) Presentation of safety activities of each country
- (iii) Group discussion
- (iv) Safety patrol training
- (v) Crisis experience training
- (vi) Education on various safety management capabilities
- (vii) Opinion exchange meeting, etc.



VOICE



Mr. Nguyen Tu Cuong
 Manager of Safety Department
 Taikisha Vietnam Engineering Inc.

We will plan and implement safety management initiatives in Vietnam in a confident way.

The construction market in Vietnam is undergoing a major change, and we believe we are going to need to pay attention, in particular, to moves of non-Japanese clients and rebuild our safety management system to suit the trends of clients. We intend to plan and implement the following safety management activities continuously.

The number of industrial accidents has been decreasing due to our safety management activities. We will continue to improve our safety activities with confidence by believing that our activities will bring good results in the new market as well.

(i) Improvement of safety management capabilities necessary for Taikisha Vietnam Engineering

- Conducting training programs to improve safety management capabilities for employees of Taikisha Vietnam Engineering
- Continuous improvement of the Industrial Health & Safety System to suit trends of clients (OHSAS18001/18002)

(ii) Education for improving safety capabilities of specialist contractors

- Encouraging establishment of safety department in subcontractors
- Providing training to improve safety capabilities for workers of subcontractors

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 formulated 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.

- (i) Sales quality improvement
- (ii) Design quality improvement
- (iii) Improvement of construction process quality
- (iv) Improvement of purchase process quality
- (v) 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.

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

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 Reviews Meeting and Construction Meeting, and follows up on the projects to completion at regular meetings.

Information on defects generated at each business offices 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 addition, the department in charge provides technical training to staff members of the Engineering Department at construction sites of each business office.

Improvement Activities

To make continuous improvements in the quality management system, it is important to run the PDCA cycle to gain customer satisfaction by meeting customer requirements. As an example of the cycle, each division develops a database of proposals and findings submitted from customers, and promotes standardization of such items and verifies the appropriateness of design and construction.

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. Quality inspections are carried out prior to, during and after completion of construction. The status of correction of defects is checked periodically based on inspection records, and a follow-up on the status of correction is carried out until correction is completed.

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 Reviews Meeting, Construction Policy Meeting, and Construction 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, and a follow-up is carried out until the technical 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



Employee training on quality improvement

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.

Labor Practices

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



Human Resource Development

Taikisha is an engineering company, and its best asset is its human resources. Human resource development and education is positioned as an important management challenge.

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

- Taikisha conducts 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

Education and Training Schemes

Hours of training per employee (training by job ranking, etc., excluding new employee education) FY2014: 12 hours
FY2015: 12 hours

Age	Training by job ranking		Training by objective																									
	Role recognition by job ranking		Compliance	Safety management	Globalization	training of successors	Divisional accounting system	Engineering and sales practices				Paint Finishing System Division																
								Green Technology System Division	E-learning		Mid-career employee training		E-learning															
55	General Manager of business offices/ Corporate Officers	Training for management executives	Compliance training/Anti-monopoly law training/Training to respond to the Fair Trade Organization's exclusion order	Safety training for new employees (first half, second half)	Training for management of overseas business offices	Foreign language training	Training for cultivating management executives/successors	Training for cultivating personnel for divisional accounting system	Explanatory meeting/wrap-up meeting for behavioral assessment	Sales Department training	Design Job Leader training	Engineering Department Manager training	Engineering Department Site Manager training	E-learning	New employee education (engineering/CAD)	Training for employees with two years of service	Health & Safety/equipment trial run/working budget management training	Leadership training	Mid-career employee training	E-learning								
45	General Managers	Training for newly appointed General Managers																			Work-life management training	Life plan training	Training for employees advanced to career-track positions	QJT instructor course	Training for newly appointed managerial staff	Training for staff promoted to T1 level	Training for employees with three years of service	Training for new employees
35	Managers	Training for newly appointed managers																			OJT instructor course	Training for employees advanced to career-track positions	QJT instructor course	Training for newly appointed managerial staff	Training for staff promoted to T1 level	Training for employees with three years of service	Training for new employees	
30	Members	Training for staff promoted to T1 level	Training for employees with three years of service	Training for new employees																								
22	Members	Training for new employees																										

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

Governance

Environment

Social

Labor Practices

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



Global Human Resource System

Different from the manufacturing business in automated factories, Taikisha's core business has taken the work style where people conduct projects to complete operations; thus, people are a major factor in its service quality. Taikisha's Global Human Resource System for national staff has been introduced to support this work style.

The system has been developed 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."

Introducing this system enables Taikisha to promise a stable living base for its employees and to provide consistent quality and services at high levels anywhere in the world based on the high performance.

Taikisha's Global Human Resource System Guideline issued in 2014 is a flexible system where national and regional characteristics and governance are well balanced. It has been introduced in the group companies with a relatively high number of employees such as India, Indonesia, and Thailand to be expanded to other countries.

Just and Fair Assessment

Taikisha's personnel assessment is conducted based on the philosophies of just and fair operations. In concrete terms, Taikisha's personnel are assessed with skill evaluations and performance evaluations. In the skill evaluation, the employees are evaluated on their knowledge, abilities, conduct and motivation necessary for individuals according to Ability Evaluation Sheet. The results are given to them as feedback, which is expected to lead to enhanced human resource development.

In the performance evaluation, the employees are fully engaged in target setting and informed of evaluation results as feedback. This is done through communication at places including meetings between members and their supervisors in the aim of improving the degree of target achievement as well as training and developing human resources.

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.

Employee Data

Number of employees (as of March 31, 2016)	Non-consolidated	Male	1,334
		Female	150
	Total	1,484	
Consolidated			4,892
Number of non-regular employees (as of March 31, 2016)	Temporary employees		84
	Contract employees		77
	Total		161
Number of newly employed employees (FY2015)	New graduates	Male	38
		Female	2
		Total	40
	Mid-career employment	Male	17
		Female	5
		Total	22
Number of employees who left their job (FY2015)	Mandatory retirement		21
	Retirement for personal reasons		27
	Total		48

		FY2013	FY2014	FY2015	FY2016
Reemployment after mandatory retirement	Number of reemployed employees	73	87	98	106
	Reemployment rate (%)	89.0	88.5	86.7	86.8

	FY2013	FY2014	FY2015	FY2016
Employment rate of persons with disabilities* (%) (as of June 1 for each fiscal year)	2.07	2.07	2.22	2.18

*Legal employment rate: 2.0%

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 by 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 profits such as labor regulations and others.

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 housekeeping, parenting, and community affairs play an equally imperative role in our lives as well. When they have a good balance, the inspirations and joys are doubled and our lives are satisfying.

A balance between work and life ensures high-level human resource development that is the driving force and competitive power of Taikisha. As part of Taikisha's efforts toward achieving this balance, Taikisha has various holiday/leave benefit systems.

• Status of Acquisition of Maternity and Childcare Leave

	FY2013	FY2014	FY2015
Number of employees on maternity leave	6	6	5
Number of employees on childcare leave	5	6	9
Ratio of employees who returned to work after childcare leave (%)	100	100	100
Retention rate 12 months after returning to work (%)	0	67	100
Number of employees who returned to work during the fiscal year in which the child was born	1	6	9
Number of people who left their job within 12 months after returning to work	1	2	0
Number of employees who are using the short-working-hours system	13	15	22
Number of paid holidays taken (days)	5.8	5.9	6.2

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 a 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).

• 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 and provides support until the employee can return to his/her work.

Achievement of Diversity

For organizations and corporations, making efforts for diversity has become more important in recent years.

Various types of human resources with different characters gather together in an organization or a corporation. Sharing diverse perspectives and values helps an organization to respond to changing environments and needs as well as to create an attractive and comfortable work environment.

Taikisha considers that its approaches for 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 promoting career advancement for its female employees. Taikisha believes all employees must be allowed to fully demonstrate their individualities and abilities to make Taikisha an attractive company.

Taikisha will strive to further enhance training programs and systems to create a better working environment for female employees and step up support for women's career advancement by setting a target of tripling the number of female employees in managerial positions by 2019.

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.

Relationship with Taikisha's Business Partners

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



Basic Principle

Taikisha broadly welcomes both domestic and overseas business partners with its motto "open and fair," and operates fair business transactions based on its basic policy.

Also Taikisha provides information and engineering support as needed to overseas companies that are interested in expanding into the Japanese market.

Basic Policy

- 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
- Promote trusting relationships with business partners

Business Partner Selection System

Taikisha selects business partners based on the evaluation of purchase quality (specifications, performance, delivery time, price, etc.), and negotiates prices based on reasonable grounds (past performance, etc.). In addition, Taikisha has established an internal reporting system (internal and external reporting desks) to ensure fair business transactions.

Management of Business Partner Information Database

Taikisha has a business partner database and periodically conducts investigations on business partners to update the information on the database as needed. In addition, Taikisha evaluates the details of transactions with business partners to maintain business relationships. In FY2015, Taikisha updated the database of information on 4,061 business partners.

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 will review the evaluation criteria for business partners to grasp risks related to business partners more appropriately.

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 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 suppliers, upon discussion, Taikisha has included it as a clause of basic agreements with all existing suppliers.

Furthermore, no relationship with anti-social forces is one of the conditions to do businesses with new suppliers and subcontractors.

Coordination with Business Partners

Taikisha regularly holds information sessions for manufacturers and distribution agents to have them understand the business transaction rules and other similar matters with the aim of maintaining good relationships with its business partners.



Award of "Excellent Green Procurement Company"

Taikisha's Award of "Excellent Green Procurement Company" began in FY2011 and 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.

By doing this, Taikisha expresses its appreciation for business partners for their continuous understanding of and cooperation in its initiatives and strives to further strengthen its partnerships with them.



Contributions to Community

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



Social Contributions

Participation in donation program of Hokkaido UNICEF Association

In support of Hokkaido UNICEF Association's activities for assisting the growth of children around the world in difficult circumstances, Taikisha donated unused calendars (eight boxfuls) it had received during the year-end and New Year period. These calendars will be sold at a charity bazaar and the proceeds will be used for the organization's activities.

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.



Initiatives in Overseas Business Offices

Cleaning Activity in Japanese Cemetery Park

On August 7, 2015, employees of Taikisha (Singapore) Pte. Ltd. and their family members voluntarily cleaned the Japanese Cemetery Park. This marked the fifth 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.



Community Contribution Activities

Donation to the fukushima Sakura Project

In support of the "fukushima Sakura Project," which aims to prevent the efforts for recovering from the Great East Japan Earthquake from losing momentum, Taikisha's Tohoku Branch Office cooperated in continuous recovery support activities for disaster-stricken areas and people. This project supports the recovery of Fukushima and the Tohoku region through activities, including delivering seedlings of a new species of cherry tree called Haruka across the country and holding various events attracting many people in Fukushima Prefecture.



Participation in Wakamono-no Tsudoï (Young People's Gathering) in Shinjuku

On November 7, 2015, Taikisha participated in Wakamono-no-Tsudoï 2015, held in Shinjuku Culture Center to join in community activities as a member of the Shinjuku CSR Network. The network is mainly comprised of companies which are involved in volunteer/social contributions in Shinjuku-ku, and Taikisha joined the group in 2011. This time, together with participating companies, Taikisha was in charge of setting up a family corner for kids and parents to have a fun time. Taikisha socialized with community residents by crafting kids' toys using plastic bottles.



Participation in Shinjuku Year-End Cleaning Campaign

Nearly 30 employees of Taikisha participated in the "12th Shinjuku Year-End Cleaning Campaign," organized by Shinjuku City, for cleaning the neighborhood around Shinjuku Station on December 18, 2015. They cleaned up the area west of Shinjuku Station.

(Other activities of domestic business offices)

Tokyo Head Office: Participation in "Uchimizu (Water Sprinkling) Campaign 2015" in Shinjuku

Osaka Branch Office: Regular cleaning activities around the Hirakata Factory

Tohoku Branch Office: Participation in the "Hirosegawa River 10,000 People Project" (Comprehensive cleanup of the Hirosegawa River basin)

Involvement with Shareholders and Investors

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



Information Disclosure Policy

Taikisha promptly discloses important information regarding Taikisha based on the transparency, fairness, and consistency stated in Taikisha 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."

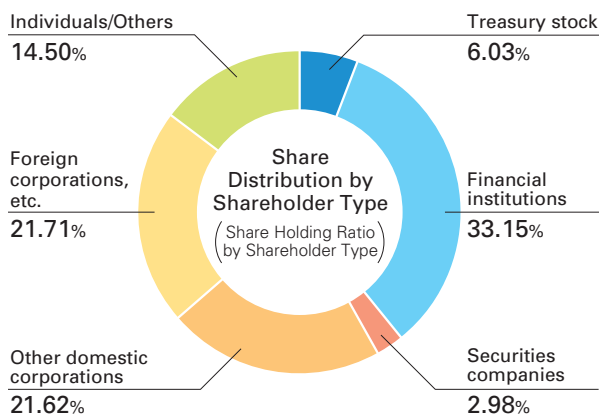
Basic Policy for Shareholders Returns

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

Stock Information

Basic Data (as of March 31, 2016)

Number of shares authorized: 1 billion (1,000,000,000) shares
 Number of shares issued: 36,782,009 shares
 Number of shareholders: 3,404



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.



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 release, financial results, quarterly reports, mid-term business plans, materials for earnings release conference, and Fact Book. The latest version of these documents can also be downloaded together.

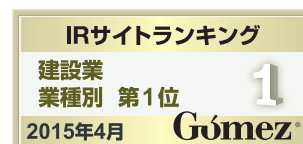
Taikisha's business details and histories are introduced for its shareholders and investors.

External Evaluation

Taikisha's website is highly evaluated by external organizations.

In the "Gomez IR Website Ranking 2015" by Morning Star K.K., Taikisha ranked top in the construction industry.

In the "2015 Website Quality Ranking in All Listed Companies" by Nikko Investor Relations, Taikisha received the Excellent Corporate Website Award (ranked second in the construction industry).



<http://www.nikkoir.co.jp/>